

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

We are a comprehensive property management service provider in the PRC, with a primary focus in Shandong Province by upholding our strategy of “Shandong Focus (精耕山東)”. Our history can be traced back to the establishment of our first operating subsidiary, Shandong Runhua in 1996. With over 25 years of experience in the property management service industry, we have gradually expanded our geographic presence from Jinan, the provincial capital of Shandong Province, to cover 15 of the 16 prefecture-level cities in Shandong Province and other first-tier cities, such as Beijing and Shenzhen. In 2010, we obtained the Property Management Enterprise Qualification Certificate Level One* (物業服務企業資質證書一級), which has enabled us to undertake property management projects across the PRC, irrespective of property size, business scale and location.

We endeavoured to tap into the capital market by first seeking a quotation on the NEEQ. On 7 March 2016, the shares of Shandong Runhua was quoted on the NEEQ. Having considered our Group’s business development strategies and our desire to attain greater access to international capital markets and enhance our fund-raising capabilities, among other things, we delisted Shandong Runhua from the NEEQ on 19 August 2019 to prepare for the application of the proposed [REDACTED].

For the purpose of the [REDACTED], our Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability on 30 June 2020, and as a result of the Reorganisation, our Company became the offshore holding company of our Group.

As of the Latest Practicable Date, we had 14 operating subsidiaries and 24 branches located in 13 cities in the PRC.

MILESTONES OF DEVELOPMENT

Our Group has experienced significant growth in its scale of operations since 1996 and the following is a summary of our Group’s key development milestones:

| Year | Event |
|------|---|
| 2000 | We were awarded the Property Management Enterprise Qualification Certificate Level Three* (物業服務企業資質證書三級) by Shandong Provincial Department of Construction* (山東省建設廳). |
| 2002 | In October 2002, we successfully obtained the cleaning and security management contract of “New World Sunshine Garden (新世界陽光花園)” through public tendering. The property was ranked one of “the Top 30 Famous Developments in the PRC* (中國名盤30強)” by The 3rd China (Shenzhen) International Housing and Building Science and Technology Exhibition* (第三屆中國(深圳)國際住宅與建築科學技術展覽會). |
| 2004 | We were awarded the Property Management Enterprise Qualification Certificate Level Two* (物業服務企業資質證書二級) by the Shandong Provincial Department of Construction* (山東省建設廳). |
| 2008 | We were engaged to provide property management services to Shandong Provincial Hospital (山東省立醫院), which is our first contract to provide property management services to a hospital. |
| 2010 | We were awarded the Property Management Enterprise Qualification Certificate Level One* (物業服務企業資質證書一級) by the Ministry of Housing and Urban-Rural Development Construction of the People’s Republic of China (中華人民共和國住房和城鄉建設部). |

HISTORY, DEVELOPMENT AND REORGANISATION

| Year | Event |
|------|---|
| 2015 | We were awarded our first contract to provide property management services to a high school in the Shandong Province. |
| 2016 | In March 2016, Shandong Runhua’s shares was quoted on the NEEQ (stock code: 836007). |
| 2018 | We were ranked as one of the “2018 Top 100 Property Management Companies” of China (2018 年物業服務企業綜合實力百強企業) by the China Property Management Institute (中國物業管理協會) We were granted the honour of “Diamond Partner” by the Logistics Management Committee* (後勤管理事業委員) under the Shandong Province Hospital Association (山東省醫院協會); |
| 2020 | Kaidi Network was accredited as a “High-and-New-Technology Enterprise” by National High and New Technology Enterprise Recognition Management Leading Group Office* (全國高新技術企業認定管理工作領導小組辦公室). We were awarded “Advanced Property Service Enterprise for Pandemic Prevention and Control Work in Jinan City”* (濟南市疫情防控工作先進物業服務企業) by Jinan Housing and Urban-Rural Development Bureau* (濟南市住房和城鄉建設局). |
| 2021 | We were awarded “Excellent Member of Shandong Province Property Management Association in 2020”* “山東省物業管理協會2020年度優秀會員單位” by Shandong Province Property Management Association* (山東省物業管理協會). We were selected as one of the leading enterprises of “Gold Property”* (金牌物業) in Jinan City jointly by Jinan Times Newspaper Group* (濟南時報報業集團), Shandong Province Property Management Association* (山東省物業管理協會), Jinan Times* (濟南時報) and the Trade Association of Jinan Property Management (濟南市物業管理行業協會). We were accredited “Municipal Level Service Industry Innovation Centre in 2020”* (2020市級服務業創新中心) by the Jinan Municipal Development and Reform Commission* (濟南市發展和改革委員會). |

OUR PRINCIPAL SUBSIDIARIES

We conduct our business principally through the following subsidiaries which made a material contribution to our results of operations during the Track Record Period:

| Name of major subsidiaries | Principal business activities | Date of establishment and commencement of business |
|----------------------------|--|--|
| Shandong Runhua | Provision of property management, maintenance and repair services for residential properties and office buildings in the PRC | 14 February 1996 |
| Jinan Runwu Construction | Provision of interior decoration works for residential properties and office buildings in the PRC | 21 May 2015 |

HISTORY, DEVELOPMENT AND REORGANISATION

| Name of major subsidiaries | Principal business activities | Date of establishment and commencement of business |
|--|---|--|
| Shandong Shanyou Property Management Co., Ltd* (山東善佑物業經營管理有限公司) (“Shandong Shanyou”) | Provision of property management, cleaning and landscaping management services for residential properties and office buildings in the PRC | 4 December 2017 |

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

1. Establishment of Shandong Runhua and subsequent registered capital changes

Shandong Runhua was established in the PRC on 14 February 1996 as a limited liability company with an initial registered capital of RMB0.6 million and was owned as to 60% and 40% by Runhua Group Company (previously known as Shandong Province Automotive Sales (Group) Co., Ltd* (山東省汽車銷售(集團)股份有限公司)) and Shandong Runhua Tianzhong Automotive Sales Services Company Limited* (山東潤華天眾汽車銷售服務有限公司) (previously known as Shandong Shanghai Automotive Sales Company Limited* (山東上海汽車銷售有限責任公司)) (“Shandong Tianzhong”), (a subsidiary of Runhua Group Company), respectively. Runhua Group Company and Shandong Tianzhong are ultimately controlled by Mr. Luan.

After the establishment of Shandong Runhua, it underwent a series of capital injections and equity transfers, such that on 1 July 2015, the registered share capital of Shandong Runhua was RMB5 million and it was owned as to 90% by Mr. Luan and 10% by Ms. Liang.

Jinan Anlan was established in the PRC on 10 July 2015 as a limited partnership to invest in Shandong Runhua and was initially owned as to 90% by Mr. Luan and 10% by Mr. Yang Liquan, respectively. The principal business of Jinan Anlan includes business management consulting and business information consulting. The general partner of Jinan Anlan was Mr. Luan, one of our Controlling Shareholders, who was also the managing partner of Jinan Anlan and had overall control of Jinan Anlan. Mr. Yang Liquan, our executive Director, was a limited partner. With a view to provide incentives and rewards to eligible participants who contribute to the success of our Group’s operations, Mr. Luan and 11 other Directors or employees of our Group entered into agreements on 2 January 2016 (the “Jinan Anlan Agreement”) to invest in Jinan Anlan. Pursuant to the Jinan Anlan Agreement, the general partner of Jinan Anlan (Mr. Luan) would vote on behalf of Jinan Anlan at general meetings of Shandong Runhua.

On 17 July 2015, Jinan Anlan injected RMB7.2 million in Shandong Runhua (RMB3 million of which was regarded as registered share capital and the remaining RMB4.2 million was regarded as additional paid-in capital) and Mr. Luan injected RMB9.6 million in Shandong Runhua (RMB4 million of which was regarded as registered share capital and the remaining RMB5.6 million was regarded as additional paid-in capital). The registered share capital of Shandong Runhua increased from RMB5 million to RMB12 million. Shandong Runhua was then owned as to approximately 70.83% by Mr. Luan, 25% by Jinan Anlan and 4.17% by Ms. Liang, respectively. The registration of such increase with the relevant authority was completed on 4 August 2015.

On 2 January 2016, in addition to Mr. Luan (general partner) and Mr. Yang Liquan (limited partner) pursuant to the Jinan Anlan Agreement, the other parties to the Jinan Anlan Agreement also became the limited partners of Jinan Anlan. Jinan Anlan was then owned as to 40% by Mr. Luan and 60% by the other Directors or

HISTORY, DEVELOPMENT AND REORGANISATION

employees of our Group, namely Yang Liqun (Director, 24%), Fei Zhongli (Director, 8%), Li Yanyan (senior management, 4.2%), Chen Jie (senior management, 4.2%), Shi Zuoxin (employee, 3.6%), Li Yi (senior management, 3.6%), Zhang Yuqiang (senior management, 3.6%), Cao Hongtao (employee, 3.2%), Kang Naishui (employee, 1.48%), Wang Lihua (employee, 2.32%) and Cui Yongsheng (employee, 1.8%). The registration of such change with the relevant authority was completed on 8 January 2016.

2. Conversion into a joint stock limited liability company

On 10 October 2015, Shandong Runhua was converted into a joint stock limited liability company in preparation for its listing on the NEEQ. After the conversion, the share capital of Shandong Runhua was RMB12 million divided into 12,000,000 Shares with a nominal value of RMB1.00 each, of which Mr. Luan, Ms. Liang and Jinan Anlan held 8,500,000 Shares, 500,000 Shares and 3,000,000 Shares, representing approximately 70.83%, 4.17% and 25% of Shandong Runhua’s issued share capital, respectively.

3. Listing of Shandong Runhua on the NEEQ

On 7 March 2016, 12,000,000 shares of Shandong Runhua, being the entire issued share capital at that time, became quoted on the NEEQ (stock code: 836007) by way of agreement transfer.

4. Further increase in the share capital of Shandong Runhua

Jinan Lutong was established in the PRC on 24 November 2016 as a limited partnership to invest in Shandong Runhua and was initially owned as to 80% by Mr. HQ Luan and 20% by Mr. Zhang Lujin, an employee of Mr. Luan’s businesses outside our Group, respectively. The principal business of Jinan Lutong includes business management consulting and business information consulting. The general partner of Jinan Lutong was Mr. HQ Luan, one of our Controlling shareholders, who was also the managing partner of Jinan Lutong and had overall control of Jinan Lutong. Mr. Zhang Lujin was a limited partner. With a view to provide incentives and rewards to eligible participants who contribute to the success of our Group’s operations and Mr. Luan’s businesses outside our Group, Mr. HQ Luan, three employees (including our former employee) of our Group and four employees of Mr. Luan’s businesses outside of our Group entered into agreements on 14 February 2017 (the “**Jinan Lutong Agreement**”) to invest in Jinan Lutong.

On 28 October 2016, the general meeting of Shandong Runhua approved the increase of registered capital from RMB12 million to RMB20 million. The registration of such increase with relevant authority was completed on 28 November 2016, with Mr. HQ Luan and Jinan Lutong injected RMB5 million and RMB3 million in Shandong Runhua, respectively. Shandong Runhua was then owned as to 42.5% by Mr. Luan, 25% by Mr. HQ Luan, 15% by Jinan Anlan, 15% by Jinan Lutong and 2.5% by Ms. Liang, respectively. Pursuant to the Jinan Lutong Agreement, the general partner of Jinan Lutong (Mr. HQ Luan) would vote on behalf of Jinan Lutong at general meetings of Shandong Runhua. Each of Jinan Anlan and Jinan Lutong exercised its voting power at general meetings of Shandong Runhua in proportion to their capital contribution to the registered share capital of Shandong Runhua.

On 14 February 2017, in addition to Mr. HQ Luan (general partner) and Mr. Zhang Lujin (limited partner), pursuant to the Jinan Lutong Agreement, the others parties to the Jinan Lutong Agreement also became the limited partners of Jinan Lutong. Jinan Lutong was then owned as to 36% by Mr. HQ Luan and 64% by the other limited partners, namely Zhang Lujin (20%), Ding Zhaohua (former employee, 16.67%), Cheng Xin (Director, 16.67%), Sui Xianfeng (3.33%), Li Yanhong (employee, 3.33%), Yang Lei (2.33%) and Xia Xiaojun (1.67%). The registration of such change with the relevant authority was completed on 7 March 2017.

HISTORY, DEVELOPMENT AND REORGANISATION

5. Delisting of Shandong Runhua on the NEEQ

Delisting of Shandong Runhua from the NEEQ

On 25 July 2019, the shareholders of Shandong Runhua resolved to voluntarily delist Shandong Runhua’s shares from the NEEQ (the “**NEEQ Delisting**”) at a general meeting. The NEEQ Delisting was approved by shareholders in aggregate holding 20,000,000 shares in Shandong Runhua, representing 100% of the then issued share capital of Shandong Runhua. As there had been no trading of the shares of Shandong Runhua during the period when Shandong Runhua was listed on the NEEQ, no share price of Shandong Runhua on the NEEQ could be quoted and thus there was no available market capitalisation at the time of delisting.

On 14 August 2019, the regulatory body approved the NEEQ Delisting. On 19 August 2019, the NEEQ Delisting was completed.

Compliance during listing on the NEEQ

Our Directors confirmed and the Sole Sponsor and our PRC legal adviser, having considered the due diligence work they conducted, concurred that:

- (a) during the period that Shandong Runhua was listed on the NEEQ,
 - (i) Shandong Runhua and its directors had been in compliance in all material respects with all applicable laws and regulations in the PRC;
 - (ii) Shandong Runhua and its directors had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and
- (b) there are no further matters in relation to the prior listing of Shandong Runhua that need to be brought to the attention of the Stock Exchange or our Shareholders.

Reasons for the delisting of Shandong Runhua from the NEEQ and the proposed [REDACTED] on the Stock Exchange

The NEEQ Delisting was a commercial and strategic decision made by Shandong Runhua’s directors, based on the company’s business development plans and desire to attain greater access to international investors and markets by undertaking this proposed [REDACTED] and [REDACTED] on the Stock Exchange.

Our Directors believe that the NEEQ Delisting and application for [REDACTED] will be in the best interests of our Group and the Shareholders as a whole since Hong Kong, being a gateway between the PRC and the international market, will allow our Group to have greater access to international investors and global markets.

6. Conversion into a limited liability company

On 22 January 2020, the shareholders of Shandong Runhua resolved to convert Shandong Runhua from a joint stock limited liability company into a limited liability company. After the conversion, the share capital of Shandong Runhua remained unchanged at RMB20 million.

7. Increase in the registered share capital of Shandong Runhua in February 2020

On 24 February 2020, the registered capital of Shandong Runhua increased from RMB20 million to RMB50 million (the registration of such increase with the relevant authority was completed in February 2020),

HISTORY, DEVELOPMENT AND REORGANISATION

with additional capital contribution of RMB12.75 million by Mr. Luan, RMB7.5 million by Mr. HQ Luan, RMB0.75 million by Ms. Liang, RMB4.5 million by Jinan Anlan and RMB4.5 million by Jinan Lutong. Following such increase, the equity interests of Shandong Runhua remained unchanged and was owned as to 42.5% by Mr. Luan, 25% by Mr. HQ Luan, 15% by Jinan Anlan, 15% by Jinan Lutong and 2.5% by Ms. Liang.

8. Increase in the registered share capital of Shandong Runhua in August 2020

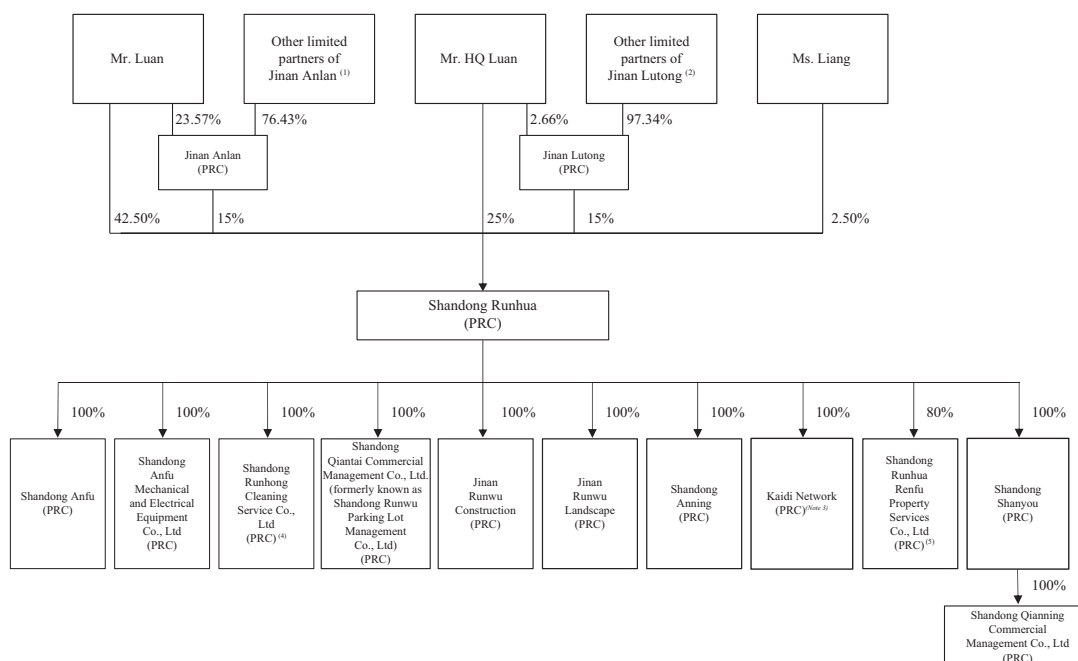
On 12 August 2020, the registered capital of Shandong Runhua increased from RMB50 million to RMB50.5 million (the registration of such increase with the relevant authority was completed on 14 August 2020), with additional capital contribution of RMB0.5 million by the [REDACTED] Investor, via his indirectly wholly owned subsidiary, MedEvolve Company Limited. Following such increase, the equity interests of Shandong Runhua was owned as to approximately 42.08% by Mr. Luan, 24.75% by Mr. HQ Luan, 14.85% by Jinan Anlan, 14.85% by Jinan Lutong, 2.48% by Ms. Liang and 0.99% by MedEvolve Company Limited. On 20 October 2020, MedEvolve Company Limited injected a total sum of HK\$1,270,000 (approximately RMB1,096,772) in Shandong Runhua of which RMB0.5 million was regarded as the registered capital of Shandong Runhua. Please refer to the paragraph headed “[REDACTED] Investment” below for the increase in the share capital of Shandong Runhua on 12 August 2020.

9. Branch offices of Shandong Runhua

In order to facilitate the development of our operation in different regions in the PRC, Shandong Runhua has established 21 branches in the PRC as of the Latest Practicable Date.

REORGANISATION

The following chart sets forth our Group’s corporate and shareholding structure immediately prior to the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION

Note:

1. The other limited partners of Jinan Anlan were Yang Liqun (Director, 28.33%), Fei Zhongli (Director, 8.67%), Li Yanyan (senior management, 5.33%), Chen Jie (senior management, 5.33%), Li Yi (senior management, 4.33%), Zhang Yuqiang (senior management, 4.33%), Cao Hongtao (employee, 1.8%), Wang Lihua (employee, 2.67%), Cui Yongsheng (employee, 1.8%), Kang Naishui (employee, 0.67%), Zhang Deguo (employee, 2.33%), Hu Tianqun (employee, 1.67%), Jin Zuoyang (employee, 1.5%), Liu Haizhu (employee, 1.5%), Wang Yating (employee, 1.67%), Li Zhigang (employee, 1.5%), Yu Sumin (employee, 1.5%) and Yu Xue (employee, 1.5%).

2. The other limited partners of Jinan Lutong are Zhang Lujin (20%), Ding Zhaohua (former employee, 16.67%) Cheng Xin (Director, 16.67%), Ren Henian (16.67%), Liu Tong (16.67%), Li Yanhong (employee, 3.33%), Sui Xianfeng (3.33%), Yang Lei (2.33%) and Xia Xiaojun (1.67%).

3. Kaidi Network was established on 1 September 2000. Kaidi Network was principally engaged in the provision of software development and maintenance of server hardware. Considering: (i) some of our Group’s property management software acquired from external third party could not synchronise with our existing software system smoothly; and (ii) the need for maintenance, update and development of our Group’s property management software system to cope with the business expansion of our Group, our Directors believed that there was a need for our Group to acquire a company specialising in software development and maintenance for the further development of our Group. Therefore, on 17 June 2020, Shandong Runhua entered into an acquisition agreement with Runhua Group Company which is controlled by Mr. Luan to acquire 100% equity interests in Kaidi Network for a consideration of approximately RMB 3.95 million.

4. Shandong Runhong Cleaning Service Co., Ltd was established in the PRC on 29 June 2017. It was deregistered on 24 September 2021 as it has not commenced operation since its establishment.

5. Shandong Runhua Renfu Property Services Co., Ltd. (山東潤華仁孚物業服務有限公司) was established on 28 May 2020. As at the Latest Practicable Date, it is held as to 80% and 20% by Shandong Runhua and Jinan Wangsheren Holdings Co., Ltd. (濟南王舍人控股有限公司), an independent third party principally engaged in property management service wholly-owned by Jinan Licheng State-owned Assets Management Group Co., Ltd.* (濟南歷城國有資產管理集團有限公司), a company wholly-owned by Finance Bureau of Licheng District, Jinan City. As confirmed by our Directors, we began to provide property management services to the People’s Government of Licheng District, Jinan City, for its office in Wansheren Street (the “**Wansheren Street Project**”) since April 2017. We established Shandong Runhua Renfu Property Services Co., Ltd. for the management of the Wansheren Street Project and to enhance our cooperation with the People’s Government of Licheng District, Jinan City.

In preparation for the [REDACTED] and to streamline our corporate structure, we underwent the following Reorganisation.

Step 1: Establishment of offshore corporate structure

On 30 June 2020, our Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability and acted as our [REDACTED] vehicle. On the same day, one Share with a par value of US\$0.0001 was transferred from the incorporator, an independent third party, to Springrain Investment, a BVI Company owned as to 59.85% by Mr. Luan, 37.1% by Mr. HQ Luan and 3.05% by Ms. Liang, respectively. Upon incorporation the authorised share capital of our Company was US\$50,000, which was initially divided into 500,000,000 shares with par value of US\$0.0001 each.

To reflect the offshore shareholder structure of Shandong Runhua, on 30 June 2020, our Company allotted an aggregate of 199,999,999 Shares to the BVI companies owned by the shareholders or ultimate beneficial owners of Shandong Runhua in proportion to their shareholding in Shandong Runhua at par value.

On 6 July 2020, Runhua Property BVI was incorporated under the laws of BVI with limited liability and allotted one share to our Company, pursuant to which Runhua Property BVI became a wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

On 7 August 2020, Runhua Holdings HK was incorporated under the laws of Hong Kong with limited liability and allotted one share to Runhua Property BVI, pursuant to which Runhua Holdings HK became an indirect wholly-owned subsidiary of our Company.

On 26 October 2020, Zhaohua Ltd, a company incorporated in the BVI and wholly owned by Mr. Ding Zhaohua (“**Mr. Ding**”), a former employee of our Group and a former limited partner of Jinan Lutong, transferred its 5,000,000 Shares to Springrain Investment at par value. Mr. Ding’s shareholdings in our Company reflected his interests in Shandong Runhua which were held through Jinan Lutong and were granted to him as part of share incentive. Pursuant to the agreement between Mr. Ding and Shandong Runhua, Mr. Ding should return his shares in Shandong Runhua if he ceases to be an employee of Shandong Runhua. When Mr. Ding ceased to be an employee of our Group and left our Group in October 2020, he exited as a limited partner by transferring his 16.67% equity interests in Jinan Lutong to Mr. HQ Luan at a consideration of RMB2.04 million. Such consideration which was determined with reference to an independent valuation report on the value of the shares of Shandong Runhua held by Jinan Lutong as at 30 March 2020. Accordingly, in mirroring his exit from the Group, Mr. Ding returned his Shares at par value as such Shares were granted to him at par value by mirroring his then interest in Jinan Lutong. The transfer was properly and legally completed and fully settled on 26 October 2020. Springrain Investment intended to use such 5,000,000 Shares to set up a share incentive scheme of our Company.

On 26 October 2020, our Company allotted 2,000,000 Shares to Archery Capital Management Limited, a company incorporated in the BVI and wholly owned by Mr. Xie (謝皓) (“**Mr. Xie**”), our [REDACTED] Investor at par value, the consideration of which was settled in full on the same day. MedEvolve Company Limited is a wholly-owned subsidiary of Archery Capital Management Limited and one of the shareholders of Shandong Runhua as at 26 October 2020. For details regarding the [REDACTED] Investment, please refer to the paragraph headed “[REDACTED] Investment” in this section. Upon completion of the aforementioned Reorganisation steps, our Company was owned by the following shareholders:

| <u>Name</u> | <u>Shareholder</u> | <u>Position in our Group</u> | <u>Shareholder was limited partner of Jinan Anlan/Jinan Lutong</u> | <u>Number of Shares</u> | <u>Approximate % of shareholding in the Company</u> |
|-----------------------------|--|--|--|-------------------------|---|
| 1. Springrain Investment | Mr. Luan (59.85%) Mr. HQ Luan (37.10%) Ms. Liang (3.05%) | Mr. Luan and Mr. HQ Luan are Directors | Mr. Luan (general partner of Jinan Anlan) Mr. HQ Luan (general partner of Jinan Lutong) | 152,870,000 | 75.68% |
| <i>Lutong BVI Companies</i> | | | | | |
| 2. Cool Breeze Ltd | Zhang Lujin | Nil | Jinan Lutong | 6,000,000 | 2.97% |
| 3. Chengxin&Susan Ltd | Cheng Xin | Director | Jinan Lutong | 5,000,000 | 2.48% |
| 4. Yanglei Ltd | Yang Lei | Nil | Jinan Lutong | 700,000 | 0.35% |
| 5. Liyanhong Ltd | Li Yanhong | Nil | Jinan Lutong | 1,000,000 | 0.50% |
| 6. Suixianfeng Ltd | Sui Xianfeng | Nil | Jinan Lutong | 1,000,000 | 0.50% |
| 7. Xi Xiaojun Limited | Xia Xiaojun | Nil | Jinan Lutong | 500,000 | 0.25% |

HISTORY, DEVELOPMENT AND REORGANISATION

| Name | Shareholder | Position in our Group | Shareholder was limited partner of Jinan Anlan/Jinan Lutong | Number of Shares | Approximate % of shareholding in the Company |
|--|------------------------------|-----------------------|---|------------------|--|
| 8. Ryan&Serena Ltd | Ren Henian ^(Note) | Nil | Jinan Lutong | 5,000,000 | 2.48% |
| 9. Liutong Ltd | Liu Tong ^(Note) | Nil | Jinan Lutong | 5,000,000 | 2.48% |
| <i>Anlan BVI Companies</i> | | | | | |
| 10. Yangliqun Ltd | Yang Liqun | Director | Jinan Anlan | 8,500,000 | 4.21% |
| 11. Feizhongli Run Heart Service Ltd | Fei Zhongli | Director | Jinan Anlan | 2,600,000 | 1.29% |
| 12. Lyanyan Ltd | Li Yanyan | Senior management | Jinan Anlan | 1,600,000 | 0.79% |
| 13. Chenjie&Anne Ltd | Chen Jie | Senior management | Jinan Anlan | 1,600,000 | 0.79% |
| 14. Liyily Ltd | Li Yi | Senior management | Jinan Anlan | 1,300,000 | 0.64% |
| 15. Zhangyuqiang Ltd | Zhang Yuqiang | Senior management | Jinan Anlan | 1,300,000 | 0.64% |
| 16. Caohongtao Ltd | Cao Hongtao | Employee | Jinan Anlan | 540,000 | 0.27% |
| 17. Zhengyi Sunshine Co., Ltd | Wang Lihua | Employee | Jinan Anlan | 800,000 | 0.40% |
| 18. Cuiyongsheng Ltd | Cui Yongsheng | Employee | Jinan Anlan | 540,000 | 0.27% |
| 19. Kangnaishui Limited | Kang Naishui | Employee | Jinan Anlan | 200,000 | 0.10% |
| 20. Zhangdeguo Limited | Zhang Deguo | Employee | Jinan Anlan | 700,000 | 0.35% |
| 21. Hutianqun Limited | Hu Tianqun | Employee | Jinan Anlan | 500,000 | 0.25% |
| 22. Jinzuoyang Ltd | Jin Zuoyang | Employee | Jinan Anlan | 450,000 | 0.22% |
| 23. Liurunxi Limited | Liu Haizhu | Employee | Jinan Anlan | 450,000 | 0.22% |
| 24. Flora Ltd | Wang Yating | Employee | Jinan Anlan | 500,000 | 0.25% |
| 25. Lizhigang Ltd | Li Zhigang | Employee | Jinan Anlan | 450,000 | 0.22% |
| 26. Yusumin Ltd | Yu Sumin | Employee | Jinan Anlan | 450,000 | 0.22% |
| 27. Ziyue Ltd | Yu Xue | Employee | Jinan Anlan | 450,000 | 0.22% |
| 28. Archery Capital Management Limited | Mr. Xie | Nil | N/A | 2,000,000 | 0.99% |
| Total: | | | | 202,000,000 | 100.00% |

The BVI companies (other than Springrain Investment) whose shareholders were limited partners of Jinan Anlan are collectively referred to as “**Anlan BVI Companies**”, whereas the BVI companies whose shareholders were limited partners of Jinan Lutong are collectively referred to as “**Lutong BVI Companies**”. The Shares held by Anlan BVI Companies and the Lutong BVI Companies are subject to a lock-up period of six months following the [REDACTED].

HISTORY, DEVELOPMENT AND REORGANISATION

As part of the Reorganisation, Archery Capital Management Limited contributed approximately RMB0.5 million into Shandong Runhua on 26 October 2020. Upon completion of the capital contribution, Archery Capital Management Limited held approximately 0.99% equity interest in Shandong Runhua. Our Directors and our PRC Legal Advisors confirm the shareholding of the shareholders in our Group listed in the table above is the same as the their shareholding in Shandong Runhua as at 26 October 2020 (being the date when Archery Capital Management Limited became a shareholder of Shandong Runhua).

Note: Ren Henian and Liu Tong are both directors of Runhua Group Company. Furthermore, Ren Henian is the chief executive officer of Runhua Group Company and Liu Tong is the general manager of Runhua Automobile Holdings Ltd.* (潤華汽車控股有限公司), a subsidiary of Runhua Group Company. In order to provide incentive and rewards to Ren Henian and Liu Tong’s contribution to the success of Runhua Group Company and its subsidiary, on 9 June 2020, Mr. HQ Luan transferred 16.67% and 16.67% equity interest in Jinan Lutong to Ren Henian and Liu Tong, respectively, and Ren Henian and Liu Tong became limited partners of Jinan Lutong on the same day.

Step 2: Establishment of Runhua Development

Runhua Development, our PRC holding company was established by Runhua Holdings HK in Jinan, the PRC on 25 September 2020 with an initial registered capital of RMB10,000,000. As at the date of establishment, Runhua Development was wholly-owned by Runhua Holdings HK.

Step 3: Acquisition of our operating entity

On 10 November 2020, Runhua Development and Jinan Lutong entered into an equity transfer agreement, pursuant to which Jinan Lutong agreed to transfer its 14.85% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB3 million. On the same day, Runhua Development and Jinan Anlan, entered into an equity transfer agreement, pursuant to which Jinan Anlan agreed to transfer its 14.85% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB3 million.

On the same day, Runhua Development and Mr. Luan entered into an equity transfer agreement, pursuant to which Mr. Luan agreed to transfer his 42.08% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB8.5 million. On the same day, Runhua Development and Ms. Liang entered into an equity transfer agreement, pursuant to which Ms. Liang agreed to transfer her 2.48% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB0.5 million.

On the same day, Runhua Development and Mr. HQ Luan entered into an equity transfer agreement, pursuant to which Mr. HQ Luan agreed to transfer his 24.75% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB5 million. On the same day, Runhua Development and MedEvolve Company Limited entered into an equity transfer agreement, pursuant to which MedEvolve Company Limited agreed to transfer its 0.99% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB1.1 million.

The consideration of the aforementioned transaction were determined with reference to the registered share capital of Shandong Runhua. Thereafter, Shandong Runhua was owned as to 100% by Runhua Development.

Our PRC Legal Advisers have confirmed that the aforementioned share transfers were properly and legally completed, and are legal, valid and binding on the parties thereto.

HISTORY, DEVELOPMENT AND REORGANISATION

Step 4: Entering of Confirmation Agreement between our Company and Anlan BVI Companies, Chengxin&Susan Ltd and their respective shareholders

With a view to provide incentives and rewards to eligible participants who contribute to the success of our Group’s operations, on 25 June 2021, our Company entered into a confirmation agreement (the “**Confirmation Agreement**”) in relation to the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement and the Jinan Lutong Agreement with our Directors, our employees (the “**Employee Shareholders**”) and their respective investment vehicles, namely Anlan BVI Companies and Chengxin&Susan Ltd. Under the Confirmation Agreement, the parties reaffirmed that the Employee Shareholders obtained their interests in Jinan Anlan or Jinan Lutong through the share incentive schemes established pursuant to the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement and the Jinan Lutong Agreement. Pursuant to the Reorganisation, our Company allotted relevant Shares to the Anlan BVI Companies and Chengxin&Susan Ltd in proportion to the Employee Shareholders’ interests in Shandong Runhua at par value. The Confirmation Agreement was signed to reflect and update the terms in the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement and the Jinan Lutong Agreement in light of the Reorganisation.

The following is a summary of the principal terms of the Confirmation Agreement:

1. Each party confirmed that the interest of the Employee Shareholders in Jinan Anlan or Jinan Lutong was derived from the relevant employee incentive schemes of Shandong Runhua and each party also confirmed the amount contributed by each Employee Shareholders in Jinan Anlan or Jinan Lutong.
2. Each party confirmed that pursuant to the Jinan Anlan Agreement or the Jinan Lutong Agreement, each Employee Shareholder shall be under the employment of Shandong Runhua and/or its subsidiaries and provide services for at least 8 years from the date of the signing of the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement or the Jinan Lutong Agreement (“**Expiration Date of the Lock-up Period**”). After the Reorganisation, each Employee Shareholder shall continue to maintain the employment relationship with our Group accordingly and continue their services at least up to the Expiration Date of the Lock-up Period.
3. Each party confirmed that, to reflect the original intention of the Jinan Anlan Agreement and the Jinan Lutong Agreement, while Anlan BVI Companies and Chengxin&Susan Ltd held all their Shares which will be subject to a lock-up period (the “**Lock-Up Period**”) pursuant to the following schedule:

| <u>From the date of signing of the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement or the Jinan Lutong Agreement</u> | Percentage of Shares released from the lock-up |
|---|---|
| Upon the expiration of a four-year period | 20% |
| Upon the expiration of a five-year period | 20% |
| Upon the expiration of a six-year period | 20% |
| Upon the expiration of a seven-year period | 20% |
| Expiration Date of the Lock-up Period | 20% |

HISTORY, DEVELOPMENT AND REORGANISATION

As at the Latest Practicable Date, the number and percentage of Shares held by Anlan BVI Companies and Chengxin&Susan Ltd that are subject to lock-up (the “**Lock-up Shares**”) are as follows:

| <u>Name</u> | <u>Shareholder</u> | <u>Total number of Shares held</u> | <u>the original agreement entered into with our Group</u> | <u>Date of the agreement</u> | <u>Shares that are subject to lock-up</u> | <u>Percentage of Shares that are subject to lock-up</u> |
|------------------------------------|--------------------|------------------------------------|---|------------------------------|---|---|
| <i>Lutong BVI Companies</i> | | | | | | |
| Chengxin&Susan Ltd | Cheng Xin | 5,000,000 | Jinan Lutong Agreement | 14 February 2017 | 3,000,000 | 60% |
| <i>Anlan BVI Companies</i> | | | | | | |
| Yangliqun Ltd | Yang Liqun | 8,500,000 | Jinan Anlan Agreement | 2 January 2016 | 3,400,000 | 40% |
| Feizhongli Run Heart Service Ltd | Fei Zhongli | 2,600,000 | Jinan Anlan Agreement | 2 January 2016 | 1,040,000 | 40% |
| Lyanyan Ltd | Li Yanyan | 1,600,000 | Jinan Anlan Agreement | 2 January 2016 | 640,000 | 40% |
| Chenjie&Anne Ltd | Chen Jie | 1,600,000 | Jinan Anlan Agreement | 2 January 2016 | 640,000 | 40% |
| Liyily Ltd | Li Yi | 1,300,000 | Jinan Anlan Agreement | 2 January 2016 | 520,000 | 40% |
| Zhangyuqiang Ltd | Zhang Yuqiang | 1,300,000 | Jinan Anlan Agreement | 2 January 2016 | 520,000 | 40% |
| Caohongtao Ltd | Cao Hongtao | 540,000 | Jinan Anlan Agreement | 2 January 2016 | 216,000 | 40% |
| Zhengyi Sunshine Co., Ltd | Wang Lihua | 800,000 | Jinan Anlan Agreement | 2 January 2016 | 320,000 | 40% |
| Cuiyongsheng Ltd | Cui Yongsheng | 540,000 | Jinan Anlan Agreement | 2 January 2016 | 216,000 | 40% |
| Kangnaishui Limited | Kang Naishui | 200,000 | Jinan Anlan Agreement | 2 January 2016 | 80,000 | 40% |
| Zhangdeguo Limited | Zhang Deguo | 700,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 700,000 | 100%(Note 1) |
| Hutianqun Limited | Hu Tianqun | 500,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 500,000 | 100%(Note 1) |
| Jinzuoyang Ltd | Jin Zuoyang | 450,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 450,000 | 100%(Note 1) |
| Liurunxi Limited | Liu Haizhu | 450,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 450,000 | 100%(Note 1) |

HISTORY, DEVELOPMENT AND REORGANISATION

| <u>Name</u> | <u>Shareholder</u> | <u>Total number of Shares held</u> | <u>the original agreement entered into with our Group</u> | <u>Date of the agreement</u> | <u>Shares that are subject to lock-up</u> | <u>Percentage of Shares that are subject to lock-up</u> |
|---------------|--------------------|------------------------------------|---|------------------------------|---|---|
| Flora Ltd | Wang Yating | 500,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 500,000 | 100%(Note 1) |
| Lizhigang Ltd | Li Zhigang | 450,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 450,000 | 100%(Note 1) |
| Yusumin Ltd | Yu Sumin | 450,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 450,000 | 100%(Note 1) |
| Ziyue Ltd | Yu Xue | 450,000 | Supplemental agreement to Jinan Anlan Agreement | 9 June 2020 | 450,000 | 100%(Note 1) |

Note 1 Zhang Deguo, Hu Tianqun, Jin Zuoyang, Liu Runxi, Wang Yating, Li Zhigang, Yu Sumin and Yu Xue entered into the supplemental agreement Jinan Anlan Agreement on 9 June 2020 with the partners of Jinan Anlan as at the date of that supplemental agreement, pursuant to which Zhang Deguo, Hu Tianqun, Jin Zuoyang, Liu Runxi, Wang Yating, Li Zhigang, Yu Sumin and Yu Xue subscribed for the units in Jinan Anlan and became each became a limited partner of Jinan Anlan.

Each of Anlan BVI Companies and Lutong BVI Companies will exercise its voting rights over our Company in proportion to its respective shareholdings (including both Lock-up Shares and shares that are not subject to Lock-up) in our Company. Furthermore, Anlan BVI Companies and Lutong BVI Companies will be entitled to the dividends, if any, of our Company pursuant to the Articles and its shareholding in our Company.

4. The Employee Shareholders, the Anlan BVI Companies and Chengxin&Susan Ltd further confirmed and undertook to our Company that they shall not dispose of the Lock-up Shares in any manner, directly or indirectly.
5. To reflect the original intention of the Jinan Anlan Agreement or the Jinan Lutong Agreement, each party further confirmed and undertook that, after the Reorganisation, if the Employee Shareholders terminated the employment with our Group upon mutual agreement prior to the Expiration Date of the Lock-up Period, our Company shall, through its designated trust (via the RSU SPV) repurchase the Lock-up Shares at the time of termination of employment. The repurchased Shares shall be used as incentive Shares for our future employees. The repurchasing price shall be the corresponding amount of contribution by the Employee Shareholder together with interests accrued thereon calculated at the rate of 10% per annum from the date of contribution.
6. To reflect the original intention of the Jinan Anlan Agreement and Jinan Lutong Agreement, each party further confirmed and undertook that, after the Reorganisation, in the case that an Employee Shareholder was dismissed by our Group due to his/her wilful misconduct or gross negligence prior to the Expiration

HISTORY, DEVELOPMENT AND REORGANISATION

Date of the Lock-up Period, our Company shall, through its designated trust (via the RSU SPV) repurchase the Lock-up Shares at the time of dismissal. The repurchased Shares shall be used as incentive Shares for our future employees. The repurchasing price shall be the corresponding amount contributed by the Employee Shareholder of the Lock-up Shares.

Step 5. Transfer of 5,000,000 Shares held by Springrain Investment to RSU SPV

Our Company [has] adopted the [REDACTED] RSU Scheme on [●] 2022, Springrain Investment entered into a trust deed with RSU Trustee, pursuant to which Springrain Investment transferred a total of 5,000,000 Shares at par value to RSU SPV, which is a special purpose vehicle wholly owned by RSU Trustee for holding certain Shares reserved for any future grant of share award to our employees selected by our Board (the “[REDACTED] Eligible Employees”) under a share incentive scheme (the “[REDACTED] RSU Scheme”) of our Company to be set up by our Board in the future. The RSU Trustee shall be entitled to vote any or all of the Shares that may be held by it from time to time in subject to the decision of our Board or an advisory committee appointed by our Board in accordance with the rule of the [REDACTED] RSU Scheme. Furthermore, unless otherwise specified by our Board in its sole discretion in the grant letter, the [REDACTED] Eligible Employees will not be entitled to any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions (the “Contingent Income”) from any Shares underlying the Awards before the Shares are transferred to the [REDACTED] Eligible Employees. All the Contingent Income will be used to support the operation of the [REDACTED] RSU Scheme. Unless otherwise specified by our Board in its entire discretion, the [REDACTED] Eligible Employees may not exercise voting rights in respect of the Shares underlying the RSUs until such Shares are transferred to them, nor do they have any rights to any dividend from any Shares underlying the RSUs. Our Company will comply with Chapter 14A and other applicable Listing Rules regarding any grant of shares by the trusts to connected persons under such scheme, when it is set up. For details, please refer to the paragraph headed “D. Share Incentive Scheme — II. [REDACTED] RSU Scheme” of Appendix V. Other than: (i) the transfer of 5,000,000 Shares held by Springrain Investment to RSU SPV; and (ii) the RSU Trustee shall cast the voting of all the Shares it held subject to the decision of our Board or the advisory committee appointed by our Board under the [REDACTED] RSU Scheme, there will be no other agreements, arrangements or understanding between: (i) any of our Controlling Shareholders or the Directors; and (ii) RSU Trustee and RSU SPV in respect of the 5,000,000 Shares in our Company held by the RSU SPV.

Considering: (i) the shareholders of Anlan BVI Companies and Lutong BVI Companies are different; (ii) Anlan BVI Companies and Lutong BVI Companies are entitled to exercise their voting rights independently; (iii) Anlan BVI Companies and Lutong BVI Companies have not entered into any concert party agreement as of the Latest Practicable Date; and (iv) RSU SPV [has been] incorporated at a later stage, our Company considers that Anlan BVI Companies, Lutong BVI Companies and RSU SPV are not parties acting in concert. Save as the approximately: (i) 4.21% Shares held by Yangliqun Ltd, a company wholly-owned by one of our Directors, Mr. Yang Liqun; (ii) 2.48% Shares held by Chengxin & Suan Ltd, a company wholly-owned by one of our Directors, Mr. Cheng Xin; and (iii) 1.29% Shares held by Feizhongli Run Heart Service Ltd, a company wholly-owned by one of our Directors, Mr. Fei Zhongli, the Shares held by Anlan BVI Companies and Lutong BVI Companies are considered to be part of the public float for the purpose of Rule 8.08 of the Listing Rules.

ACTING IN CONCERT ARRANGEMENT

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

HISTORY, DEVELOPMENT AND REORGANISATION

as shareholders of Shandong Runhua since November 2016 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 in respect of our Company since its incorporation and each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of our Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of our Group which shall be decided by the shareholders of each of the members of our Group. If they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power.

[REDACTED]

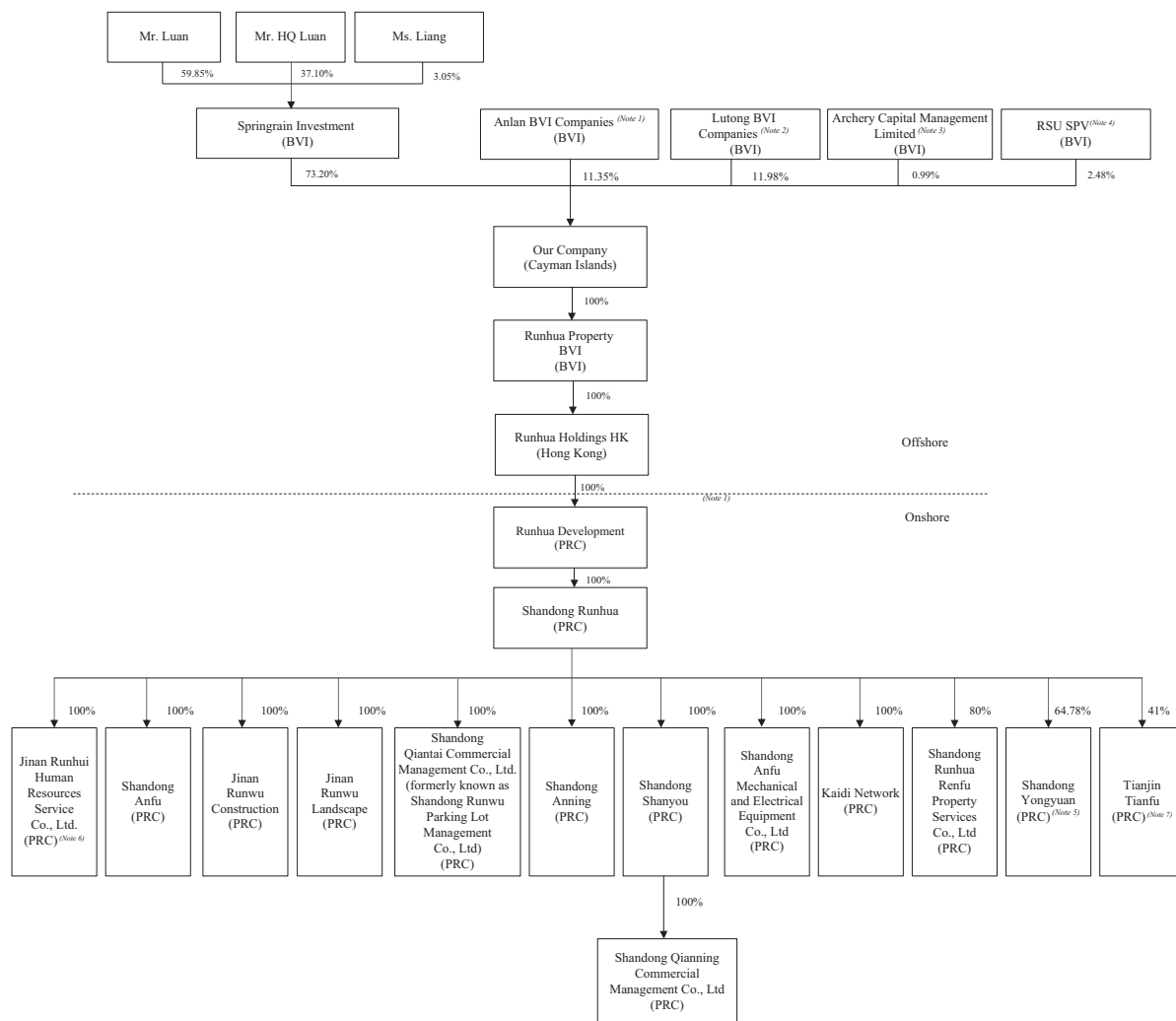
Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the [REDACTED] pursuant to the [REDACTED], our Directors shall be authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the [REDACTED] becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of [REDACTED] standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURES

Corporate Structure before the [REDACTED]

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the Reorganisation and prior to the completion of the [REDACTED]:



Notes:

1. Please refer to the paragraph headed “— “Step 1: Establishment of offshore corporate structure” for details.
2. Please refer to the paragraph headed “— “Step 1: Establishment of offshore corporate structure” for details.
3. As of the Latest Practicable Date, Archery Capital Management Limited is an independent third party of our Company.
4. RSU SPV is a special purpose vehicle wholly owned by RSU Trustee [to be set up] for holding certain Shares reserved for any future grant of share award under a share incentive scheme of our Company to be set up by our Board in the future.
5. Shandong Yongyuan was established on 25 November 2020. As of the Latest Practicable Date, it is held as to approximately 64.78% and approximately 35.22% by Shandong Runhua and Heze Peony Airport Commercial Service Co., Ltd. (荷澤牡丹機場商務服務有限公司), an independent third party.

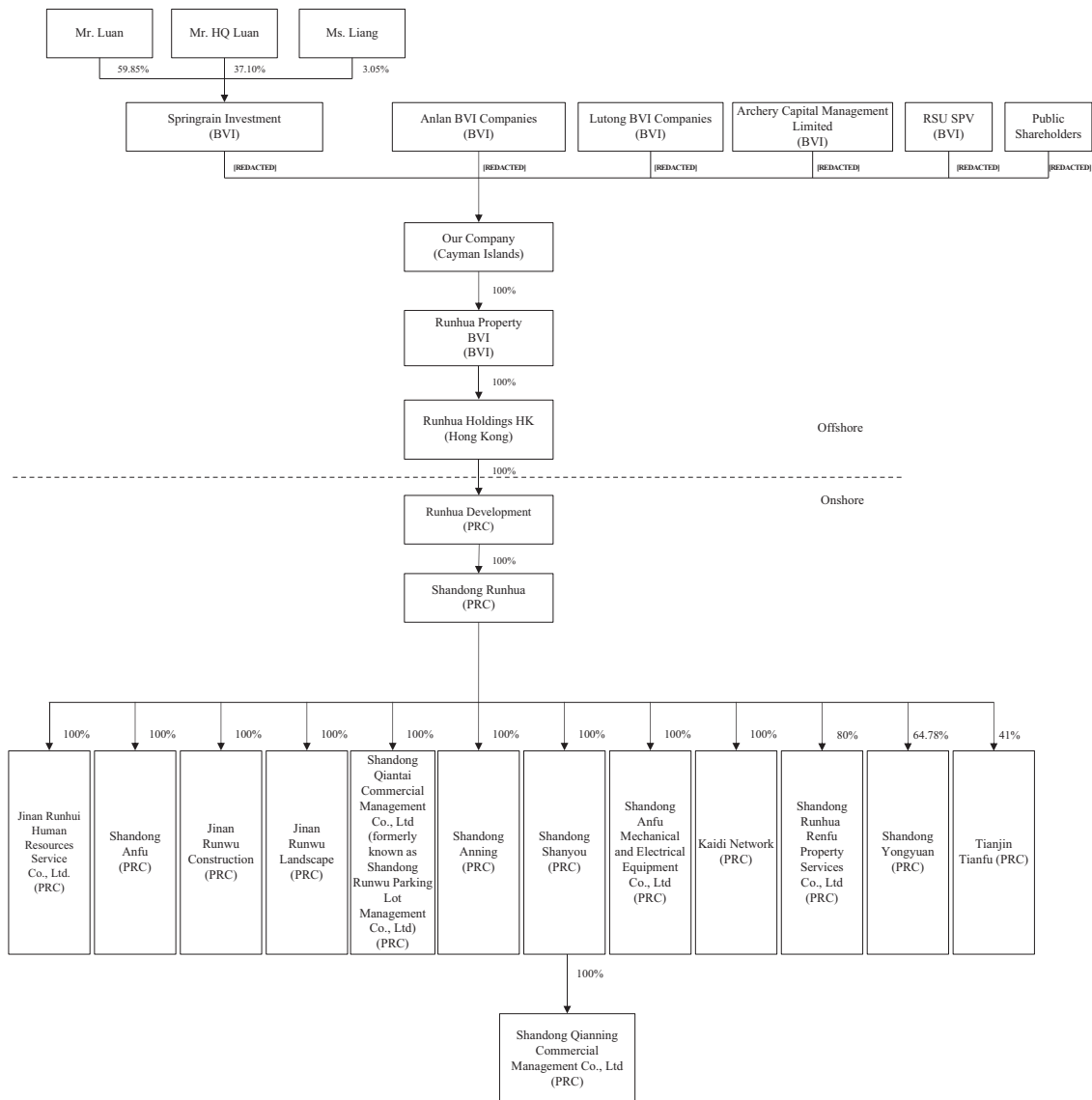
HISTORY, DEVELOPMENT AND REORGANISATION

6. Jinan Runhui Human Resources Service Co., Ltd. was established on 23 August 2021.

7. Please refer to the paragraph headed “— “Major Acquisition during the Track Record Period”” for details.

Corporate structure immediately after the [REDACTED]

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED] and the [REDACTED], assuming that the [REDACTED] is not exercised:



Note:

Please refer to the notes underneath the corporate and shareholding structure chart of our Group under “Corporate Structure—Corporate structure before the [REDACTED]” in this section.

HISTORY, DEVELOPMENT AND REORGANISATION

[REDACTED] INVESTMENT

On 12 August 2020, the shareholders of Shandong Runhua resolved to increase the registered capital of Shandong Runhua from RMB50 million to RMB50.5 million, with additional capital contribution of RMB0.5 million by MedEvolve Company Limited. Following such increase, the equity interests of Shandong Runhua was owned as to approximately 42.08% by Mr. Luan, 24.75% by Mr. HQ Luan, 14.85% by Jinan Anlan, 14.85% by Jinan Lutong, 2.48% by Ms. Liang and 0.99% by MedEvolve Company Limited. The registration of the registered capital increase with the relevant authority was completed on 14 August 2020. MedEvolve Company Limited is indirectly wholly owned by Mr. Xie, our [REDACTED] Investor via Archery Capital Management Limited. On 20 October 2020, MedEvolve Company Limited injected a total sum of HK\$1,270,000 (approximately RMB1,096,772) in Shandong Runhua, of which RMB0.5 million was regarded as the registered capital of Shandong Runhua. Pursuant to the Reorganisation, on 26 October 2020, our Company allotted 2,000,000 Shares to Archery Capital Management Limited, a company incorporated in the BVI and wholly owned by Mr. Xie, representing 0.99% of the entire issued shares of our Company as at 26 October 2020. The table below sets out details of the [REDACTED] Investment:

| | | |
|---|---|---|
| Name of the [REDACTED] Investor | : | <u>Mr. Xie</u> |
| Background of the [REDACTED] Investor | : | Mr. Xie is a chartered financial analyst and has experience working as a director/representative/responsible officer in a number of investment consulting and financial advisory companies. He was introduced to our Group by his acquaintance (the “ Acquaintance ”), who was a classmate of Mr. Xie through a telephone conference. The Acquaintance is an ex-employee of our Group from 1996 to 2002 and has worked in various department of Shandong Runhua from 1996 to 2002 and his last position before his departure from Shandong Runhua was vice supervisor of the human resource department. As our Group has expressed to the Acquaintance that it would like to look for a [REDACTED] investor to finance the business operation and part of the [REDACTED], the Acquaintance therefore introduced Mr. Xie to our Group, who is an investor with experience in the capital market and listing process in Hong Kong. Apart from that, our Company confirms that the acquaintance does not have any past or present relationship (including but not limited to, business, employment, family, financing, trust or otherwise) with our Group, our shareholders, Directors of senior or any of their respective associates. |
| | | Mr. Xie invested in the Company because of the reputation of our Group in Shandong and our expertise and experience in providing property management services to hospitals and public properties. He believes that there is great potential in the development of our |

HISTORY, DEVELOPMENT AND REORGANISATION

| | | |
|---|---|--|
| Name of the [REDACTED] Investor | : | <u>Mr. Xie</u> |
| | | Company the investment in our Company will be rewarding. To the best knowledge and belief of the Directors and having made all reasonable enquiries, each of MedEvolve Company Limited, Archery Capital Management Limited and their ultimate beneficial owner, Mr. Xie, is an independent third party. |
| Date of payment of funds | : | 20 October 2020 |
| Consideration | : | A total sum of HK\$1,270,000 (approximately RMB1,096,772), of which RMB0.5 million was regarded as the registered capital of Shandong Runhua |
| Source of fund | : | Personal fund sourced from the personal savings of Mr. Xie |
| Completion of the subscription | : | 14 August 2020 |
| Cost per Share paid under the [REDACTED] Investment | : | Approximately HK\$[REDACTED]. This is derived based on [REDACTED] Shares to be held by Archery Capital Management Limited, a wholly owned by Mr. Xie upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED]). For details, please refer to the paragraph headed “[REDACTED]” above. |
| Discount to the [REDACTED] | : | Approximately [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED]. |
| [REDACTED] from the [REDACTED] Investment | : | The [REDACTED] was used as our general working capital. As at the Latest Practicable Date, all of the [REDACTED] had been utilised. |
| Strategic benefits the [REDACTED] Investor brought to our Company | : | Our Directors believe that the [REDACTED] Investment is a demonstration of confidence of the [REDACTED] Investor in our operation, which serve as an endorsement of our performance and prospects. In addition, as at the Latest Practicable Date, Mr. Xie is the holder of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) licences issued by the SFC. Together with his prior work experience as a director in Credit Suisse (Hong Kong) Limited and a vice president in BOCI Asia Limited, where he was responsible for assisting the listing of various PRC companies on the Stock Exchange, our Directors believe that the our Group could benefit from Mr. Xie’s respective knowledge and experience in the capital market and listing process in Hong Kong. |

HISTORY, DEVELOPMENT AND REORGANISATION

| | | |
|--|---|--|
| Name of the [REDACTED] Investor | : | Mr. Xie |
| Approximate shareholding of the [REDACTED] Investor in Shandong Runhua upon the completion of the [REDACTED] Investment | : | 0.99% equity interest in Shandong Runhua |
| Approximate shareholding of the [REDACTED] Investor in our Company immediately following the completion of the [REDACTED] and the [REDACTED] | : | [REDACTED]% |
| Special rights granted to the [REDACTED] Investor | : | Nil |
| Public float | : | To the best of our Directors’ knowledge, the [REDACTED] Investor is not a core connected person of our Company. As a result, approximately [REDACTED]% of the total issued Shares (upon completion of the [REDACTED] and assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued pursuant to the [REDACTED] Share Option Scheme) with a market capitalisation of approximately HK\$[REDACTED] (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid- point of the indicative [REDACTED]) will count towards the public float. |
| Lock-up arrangements after [REDACTED] | : | The [REDACTED] Investment is subject to a lock-up period of six months following the [REDACTED]. |

The consideration for the [REDACTED] Investment was determined after arm’s length negotiations with reference to: (i) an independent valuation report (the “**Valuation Report**”) on Shandong Runhua as at 30 March 2020, of which the market value of Shandong Runhua was RMB110 million using asset-based approach; (ii) the historical financial results of the Group in 2019; (iii) the potential profitability, business growth and prospects of the Group; and (iv) the valuation of comparable companies in the market of the Group. Other factors were taken into account in the determination of the consideration including but not limited to:

- (i) the investment risk assumed by Mr. Xie in investing in an unlisted company including the uncertainty of the completion of the [REDACTED] and [REDACTED];
- (ii) the six-month lock-up restriction undertaken by Mr. Xie commencing on the [REDACTED]. Furthermore, the consideration of the [REDACTED] Investment had not taken into consideration the proposed [REDACTED] as it was determined before the submission of the [REDACTED] application of our Company and the expected market capitalisation of our Group upon successful [REDACTED]; and
- (iii) our Company’s belief that Mr. Xie’s extensive experience in the Hong Kong capital market, listing process and other related matters would bring long term benefits to our Group and shareholders as a whole throughout the [REDACTED] process and upon [REDACTED].

HISTORY, DEVELOPMENT AND REORGANISATION

Pursuant to the Valuation Report, the appraised value of a company can be determined based on either asset-based approach, market-based approach or income-based approach. In determining the market value of Shandong Runhua, the valuer is of the view that asset-based approach would be a more appropriate method to ascertain the appraised value of Shandong Runhua due to the following reasons:

- (i) asset-based approach is an appropriate valuation method as net asset value, which is calculated by deducting total liabilities from total assets, is a reflection of Shandong Runhua’s total value as at 30 March 2020 and the asset-based approach is a common valuation method for non-listed companies.
- (ii) market-based approach is not the most appropriate method as there are limited comparable precedents in the market involving companies with similar business nature of Shandong Runhua; and
- (iii) income-based approach is not the most appropriate method as there is uncertainty in predicting the future income to be generated from the principal business (property management services) of Shandong Runhua.

Therefore, the valuer is of the view that asset-based approach, which determines the appraised value of a company by referring to the value of its assets and liabilities, would be an appropriate method for determining the appraised value of Shandong Runhua. Based on the above, our Director is of the view that the use of asset-based approach in determining the appraised value of Shandong Runhua is reasonable.

Compliance with Guidance Letters

Based on the review of the relevant agreements, the Sole Sponsor is not aware of any special circumstances or incidents that would lead to a belief that the terms of the [REDACTED] Investment as described above are not in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

MAJOR ACQUISITION DURING THE TRACK RECORD PERIOD

On 26 September 2019, Shandong Runhua has entered into an agreement to acquire the equity interests in Tianjin Tianfu (the “**Tianfu Agreement**”) and a supplemental agreement simultaneously on the same day (the “**Supplement Agreement**”) upon the completion of the competitive bidding process for Tianjin Tianfu. Pursuant to the Tianfu Agreement, we acquired 51% equity interests in Tianjin Tianfu through a competitive bidding process for a total cash consideration of RMB130,149,109, which was determined with reference to the net asset value of Tianjin Tianfu as at 31 August 2018 determined by an independent valuer. Tianjin Tianfu was established in the PRC on 8 September 1995 by independent third parties and is principally engaged in providing property management service in the PRC. On 26 September 2019, to supplement the Tianfu Agreement, Shandong Runhua entered into the Supplemental Agreement with the vendor and Tianjing Tianfu, pursuant to which Shandong Runhua agree to transfer 10% of the equity interests in Tianjian Tianfu for a consideration of not more than RMB2.96 per RMB1 registered share capital to members of the senior management and core members of Tianjing Tianfu to provide incentives and rewards to them for contributing to the success of Tianjing Tianfu. The acquisition was made as part of our Group’s strategy to expand its market in the PRC. The acquisition was completed in November 2019.

HISTORY, DEVELOPMENT AND REORGANISATION

On 28 December 2020, we completed the transfer registration process of the 10% equity interests in Tianjin Tianfu to Tianjin Zhongtian Tongxin Management Partnership (Limited Partnership)* (天津中天同鑫管理合夥企業(有限合夥)) (“**Tianjin Zhongtian**”), an entity wholly-owned by members of the senior management and core members of Tianjin Tianfu, for the consideration of RMB 5,911,590. Such consideration was determined with reference to the net asset value of Tianjin Tianfu as at 31 August 2018 determined by an independent valuer and was settled on 1 July 2020. As confirmed by our Directors, our Company and Tianjin Zhongtian have confirmed the transfer of 10% equity interests and the consideration for transfer before October 2019. Also, Tianjin Zhongtian has settled the consideration for the transfer on 1 July 2020. The terms of the agreement and the transfer of shares were finalised by Tianjin Tianfu and Tianjin Zhongtian in December 2020 due to internal process of Tianjin Tianfu and Tianjin Zhongtian.

According to Rule 4.05A of the Listing Rules, the acquisition of Tianjin Tianfu would have been classified at the date of application for our [REDACTED], as a major transaction under Chapter 14 of the Listing Rules. For further details of the financial performance of Tianjin Tianfu, please refer to Note 17 and Note III to the Accountants’ Report in Appendix I to this document.

PRC LEGAL COMPLIANCE

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, “**Circular 37**”), promulgated by SAFE and which became effective on 4 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

As confirmed by our PRC Legal Advisers, Mr. Luan, Mr. HQ Luan and 27 other ultimate beneficial owners of our Shares who are PRC resident had completed the registration under Circular 37.

M&A RULES

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, SAIC, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), which became effective on 8 September 2006, and was amended on 22 June 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign invested enterprise which purchases and operates the

HISTORY, DEVELOPMENT AND REORGANISATION

assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the “**Regulated Activities**”).

As advised by our PRC Legal Advisers, Shandong Runhua became a sino-foreign entity after the investment of the [REDACTED] Investor (via his indirectly wholly-owned subsidiary, MedEvolve Company Limited), Shandong Runhua had completed the relevant registration pursuant to the M&A Rules with the relevant authorities. Given that Shandong Runhua was a sino-foreign entity, the acquisition of 100% equity interests in Shandong Runhua by Runhua Development is not subject to the M&A Rules and does not require approval from MOFCOM under the M&A Rules.