
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), [REDACTED]% of the issued share capital of our Company will be owned by Prosperity Cleanness, which is a company wholly-owned by Mr. Li; and [REDACTED]% of the issued share capital of our Company will be owned by Sunrise Cleanness, which is a company wholly-owned by Mr. Chen. Accordingly, each of Prosperity Cleanness, Sunrise Cleanness, Mr. Li and Mr. Chen is a Controlling Shareholder. For details of the shareholding interest of our Controlling Shareholders, please refer to the section headed “Substantial Shareholders”. Mr. Li and Mr. Chen, who are both our executive Directors, have confirmed that they are a group of Controlling Shareholders, further details of which are set out in the paragraph headed “Controlling Shareholders’ Confirmation” in this section.

Save as disclosed above, there is no other person who will, immediately following the completion of the [REDACTED] and Capitalisation Issue (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

Prosperity Cleanness and Sunrise Cleanness are incorporated in the BVI by Mr. Li and Mr. Chen, respectively, as private limited liability companies on 10 December 2020 and are investment holding companies. Following our Reorganisation, Prosperity Cleanness and Sunrise Cleanness became our Controlling Shareholders. For further details of the Reorganisation, see the paragraph headed “History, Reorganisation and Group structure – Reorganisation” of this document.

For the background of Mr. Li and Mr. Chen, please refer to the section headed “Directors and senior management” of this document.

CONTROLLING SHAREHOLDERS’ CONFIRMATION

In preparation for the [REDACTED], on 16 March 2021, Mr. Li and Mr. Chen executed the Controlling Shareholders’ Confirmation, pursuant to which Mr. Li and Mr. Chen confirmed that they have been a group of Controlling Shareholders and voted in an unanimous manner on all matters required to be resolved by them in all shareholders’ meetings as shareholders and/or ultimate beneficial owners (as the case may be) of Guangzhou Shenghui, Guangzhou Xinhui and Guangxi Shenghui since the respective date of establishment of the foregoing companies and will continue to be a group of Controlling Shareholders and vote in a unanimous manner on all matters required to be resolved by them in all board (where applicable) and shareholders’ meeting as directors (where applicable), shareholders and/or ultimate beneficial owners (as the case may be) of our Group until the Controlling Shareholders’ Confirmation is terminated in writing.

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DELINEATION OF BUSINESS

Our Group is an environmental cleaning and maintenance services provider providing a wide range of services in the PRC including the provision of basic cleaning and maintenance service, garbage collection and transportation service, waste collection and transportation service, water tank cleaning service and ancillary services. As at the Latest Practicable Date, other than our Group, one of our Controlling Shareholders, Mr. Chen, has invested in or operated business providing housing construction services in the PRC (the “**Business currently owned by Mr. Chen**”). Furthermore, during the Track Record Period, Mr. Chen had disposed of his entire equity interest in Guangzhou Yuneng, which was engaged in green waste handling and handling and recycling of waste woodwork and Wuhan Chuangsheng, which was engaged in the collection, storage, utilisation and disposal of hazardous waste, as well as wholesale and retail of its recycled products (the “**Other Businesses formerly owned by Mr. Chen**”, together with the Business currently owned by Mr. Chen, the “**Other Businesses of Mr. Chen**”). Given the difference in the nature of the businesses operated by our Group and the Other Businesses of Mr. Chen as further detailed below, our Directors are of the view that there is clear delineation between our business and the Other Businesses of Mr. Chen and as a result, none of the Other Businesses of Mr. Chen would compete, or is expected to compete, directly or indirectly with our businesses.

Our Directors also confirmed that our Group had/has no overlapping shareholders and directors (except Mr. Chen) with Zhujiang Sanitation, Wuhan Chuangsheng and Guangzhou Yuneng during the Track Record Period. Also, there was no sharing of personnel, premises and other resources among our Group, any of our Group’s members (or its shareholders, directors, employees or their respective associates), each of Zhujiang Sanitation, Wuhan Chuangsheng and Guangzhou Yuneng and/or their respective associates without being fully recharged to the respective parties as at the Latest Practicable Date.

Zhujiang Sanitation

Zhujiang Sanitation is a sole proprietorship established in the PRC on 28 April 1999 by Mr. Chen. As at the Latest Practicable Date, Zhujiang Sanitation had a registered capital of RMB15,000 and Mr. Chen remained as its sole proprietor.

Zhujiang Sanitation was principally engaged in the provision of domestic waste transfer and disposal services from 1 January 2018 to 10 December 2020. Domestic waste includes kitchen and other waste generated by households were collected by Zhujiang Sanitation from residential premises for disposal.

The revenue of Zhujiang Sanitation was approximately RMB0.4 million, RMB2.1 million and RMB18,000 for the years ended 31 December 2020, 2021 and 2022, respectively. Zhujiang Sanitation recorded a net profit of approximately RMB11,700, RMB60,200 and Nil for the years ended 31 December 2020, 2021 and 2022. Mr. Chen confirmed that Zhujiang Sanitation was a profit-making entity for the foregoing financial years. However, the business of Zhujiang Sanitation could not achieve much growth due to its small size of operation. In light of the

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insignificant return and operation, Zhujiang Sanitation was not merged to our Group so to keep our Group’s structure simple. To have a clear delineation from our Group’s business, the business scope of Zhujiang Sanitation was changed to provision of housing construction services with effect from 11 December 2020.

During the Track Record Period, there was no transaction between Zhujiang Sanitation and our Group. Mr. Chen confirmed that there were no overlapping clients or sharing of personnel, premises and other resources between Zhujiang Sanitation and our Group or any of our Group’s members (or its shareholders, directors, employees or their respective associates) without being fully recharged to the respective parties as at the Latest Practicable Date. Mr. Chen further confirmed that Zhujiang Sanitation was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period and up to the Latest Practicable Date.

Wuhan Chuangsheng

Wuhan Chuangsheng is a company established in the PRC with limited liability on 5 November 2007. During the Track Record Period, Wuhan Chuangsheng was owned as to 50%, 30%, 15% and 5% by Mr. Zhang Xiaonan (張小南) (“**Mr. Zhang**”), Mr. Chen, Mr. Sun Dalu (孫大路) and Ms. Zhou Chunfang (周春芳), respectively, all of whom (save for Mr. Chen) are Independent Third Parties. On 21 September 2022, Mr. Zhang and Mr. Chen transferred their entire shareholdings of 50% and 30% respectively to Wuhan Hechang Mechanical Equipment Manufacture Company Limited* (武漢和昌機械設備製造有限公司). The registered capital of Wuhan Chuangsheng was RMB10 million as at the Latest Practicable Date.

When Wuhan Chuangsheng was first established, it was wholly-owned by Mr. Hao Yunhua (郝運華) (“**Mr. Hao**”), an Independent Third Party. Mr. Chen first became a 40% shareholder of Wuhan Chuangsheng on 4 June 2014, when he acquired 40% equity interest of Wuhan Chuangsheng from Mr. Hao at a consideration of RMB400,000, which was determined with reference to the then registered capital of Wuhan Chuangsheng. On 20 October 2014, Wuhan Chuangsheng’s registered capital was increased from RMB1 million to RMB10 million. On 28 March 2018, Mr. Chen divested 10% of his equity interest in Wuhan Chuangsheng to Mr. Zhang at a consideration of RMB1 million, which was determined with reference of the registered capital of the company, and became a 30% shareholder of Guangzhou Yuneng. Mr. Chen was an executive director of Wuhan Chuangsheng from 4 June 2014 to 4 April 2018, and became a supervisor of Wuhan Chuangsheng from 4 April 2018 to 21 September 2022. During the Track Record Period, Wuhan Chuangsheng was primarily engaged in the collection, storage, utilisation and disposal of hazardous waste, as well as wholesale and retail of its recycled products. The hazardous waste includes dyeing reagents, printing oils and organic solvents which require holder of Hazardous Waste Operation Licence to collect and handle. Wuhan Chuangsheng holds the relevant licence but our Group does not. The hazardous waste is collected by Wuhan Chuangsheng from the industrial properties in Wuhan, whereas our Group collects waste from commercial and residential properties, hence the target customers of Wuhan Chuangsheng and our Group are fundamentally different. In addition, the waste collection and transportation

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services provided as part of our environmental cleaning and maintenance services does not focus on hazardous waste and we do not engage in the wholesale and retail of recycled products.

Based on the financial statements of Wuhan Chuangsheng, the revenue of Wuhan Chuangsheng was approximately RMB20.3 million, RMB41 million and RMB2.6 million for the years ended 31 December 2020, 2021 and 2022, respectively. Wuhan Chuangsheng recorded a net profit of approximately RMB2.7 million, RMB4.1 million and RMB1.3 million for the years ended 31 December 2020, 2021 and 2022.

During the Track Record Period, there was no transaction between Wuhan Chuangsheng and our Group. Mr. Chen confirmed that there were no overlapping clients or sharing of personnel, premises and other resources between Wuhan Chuangsheng and our Group or any of our Group’s members (or its shareholders, directors, employees or their respective associates) without being fully recharged to the respective parties as at the Latest Practicable Date. Mr. Chen further confirmed that Wuhan Chuangsheng was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period.

Guangzhou Yuneng

Guangzhou Yuneng is a company established in the PRC with limited liability on 4 May 2016 and is owned as to 70% and 30% by Mr. Chen Zhipeng (陳志鵬), the son of Mr. Chen, and Mr. Zou Hongjin (鄒鴻金) (“**Mr. Zou**”) an Independent Third Party, with a registered capital of RMB3 million as at the Latest Practicable Date.

When Guangzhou Yuneng was first established, it was owned as to 70% and 30% by Mr. Chen Zhipeng and Mr. Chen, respectively. On 23 December 2020, Mr. Chen disposed of his entire equity interest in Guangzhou Yuneng (the “**Guangzhou Yuneng Disposal**”) to Mr. Zou, an Independent Third Party at the consideration of RMB0.9 million, which was determined with reference to the registered capital of Guangzhou Yuneng. On the same day, Mr. Chen resigned as the managing director and general manager of Guangzhou Yuneng. Immediately after the Guangzhou Yuneng Disposal, Mr. Chen ceased to hold any equity interest in Guangzhou Yuneng.

During the Track Record Period, Guangzhou Yuneng was primarily engaged in green waste (tree debris) handling, handling and recycling of waste woodwork (furniture, old building formwork and wood). Guangzhou Yuneng derived majority of its revenue from the collection, recycling and re-processing of the green waste. During the Track Record Period, our Group did not engage in the collection, recycling and re-processing of green waste and the sales of the recycled products. As such, there is no overlapping of service provided by Guangzhou Yuneng and our Group.

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Based on the financial statements of Guangzhou Yuneng, the revenue of Guangzhou Yuneng was approximately RMB7.2 million, RMB5.0 million and RMB3.5 million for the years ended 31 December 2020, 2021 and 2022, respectively. It recorded a net loss of approximately RMB2.9 million for the year ended 31 December 2022, and a net profit of approximately RMB1.2 million and RMB0.5 million for the years ended 31 December 2020 and 2021 respectively.

During the Track Record Period, there was no transaction between Guangzhou Yuneng and our Group. Mr. Chen confirmed that there were no overlapping clients or sharing of personnel, premises and other resources between Guangzhou Yuneng and our Group or any of our Group’s members (or its shareholders, directors, employees or their respective associates) without being fully recharged to the respective parties as at the Latest Practicable Date. Mr. Chen further confirmed that Guangzhou Yuneng was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period and prior to the Guangzhou Yuneng Disposal.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and Directors confirmed that neither of them nor their respective close associates have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than the members of our Group) upon [REDACTED].

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and are able to independently obtain banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decisions according to our own business needs. As at the Latest Practicable Date, all personal guarantees provided by our Controlling Shareholders on our borrowings have been fully released.

During the Track Record Period, our Group had certain amounts due to and/or from our Controlling Shareholders, namely Mr. Li and Mr. Chen. As at 31 December 2020, the amount due from Mr. Li to our Group was approximately RMB2.0 million respectively as shareholder’s loan. As at 31 December 2021 and 2022, the amount due to Mr. Li was approximately RMB6.3 million and RMB13.8 million respectively represented mainly the funds advance from Mr. Li mainly for paying the [REDACTED] and the consideration payable to Mr. Li in

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relation to our Group's acquisition of the interest in Guangzhou Shenghui from him in FY2021 as part of the Reorganisation. As at 31 December 2020, 2021 and 2022, the amount due to Mr. Chen was approximately RMB0.2 million, RMB1.4 million and RMB1.4 million respectively represented mainly the consideration payable to Mr. Chen in relation to our Group's acquisition of the interest in Guangzhou Shenghui from him in FY2021 as part of the Reorganisation. The amounts due to Mr. Li and Mr. Chen will be settled by our Group before [REDACTED]. [Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates].

Operational independence

We have sufficient operational capacity in terms of capital, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers.

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their close associates during the Track Record Period. Our Group has also established a set of internal control procedures to facilitate the effective operation of our business. We also have our own capability and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

Our major customers and suppliers (including the suppliers of consumables and services) are independent from our Controlling Shareholders and their respective close associates. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers for the provision of services, consumables and equipment.

Based on the above, our Directors are satisfied that we had been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the [REDACTED] and the Capitalisation Issue, the day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management. Our Board has five Directors comprising two executive Directors and three independent non-executive Directors.

Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to our Shareholders as a whole after the [REDACTED] without reference to our Controlling Shareholders.

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Each of our Directors is aware of his/her fiduciary duties as a Director which require, amongst other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting and participation at the relevant Board meetings of our Company in respect of such transactions and will not be counted in the quorum. In the circumstances where all our executive Directors are required to abstain from voting on board resolutions due to potential conflict of interest, it will fall to our independent non-executive Directors to exercise their business judgement to make decision as our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed "Directors and senior management" of this document, our Group believes that the remaining Board can still function properly in the event that all our executive Directors are required to abstain from voting. Our Group has also employed other senior management with the experience and calibre to conduct our business.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our business independently from our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders has entered into the Deed of Non-competition on [•] under which each of them has jointly and severally and unconditionally and irrevocably undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that for so long as he/it and/or his/its close associates, directly or indirectly, whether individually or taken together, remain a controlling shareholder of our Company:

- (i) he/ it will not, and will procure his/its close associates not to (other than through our Group or in respect of each of our Controlling Shareholders (together with his/ its close associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, director, partner, agent, employee or otherwise and whether for profit, reward or otherwise) in any business which is or may be in competition with the business carried on by our Group from time to time (the "**Restricted Activity**"), except where our Company's approval as mentioned in the paragraph below is obtained;
- (ii) he/it will not, and will procure his/its close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition, is or has

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been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor, sales or management, technical staff or an employee (of managerial grade or above) of any member of our Group; and

- (iii) he/it will not, and will procure his/its close associates not to, exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity.

If any of our Controlling Shareholders and/or his/its close associates decides to invest, be engaged, or participate in any Restricted Activity (the "**New Business Opportunities**"), whether directly or indirectly, in compliance with the Deed of Non-competition, he/it shall and/or shall procure his/its close associates (other than members of our Group) to disclose the terms of such New Business Opportunities to our Company and our Directors as soon as practicable and use his/its best endeavours to procure that such New Business Opportunities are offered to our Company on terms no less favourable than the terms on which such New Business Opportunities are offered to him/it and/or his/its close associates. When any New Business Opportunities are referred to our Company by any of our Controlling Shareholders, our independent non-executive Directors will consider such opportunity on various aspects including viability and profitability.

Our Controlling Shareholders and their respective close associates are entitled to engage or have an interest in the New Business Opportunities, provided that our Company has confirmed in writing (the "**Approval Notice**") that none of our Group members wishes to be engaged or interested in such New Business Opportunities and that our Company has approved in writing the relevant Controlling Shareholders and their respective close associates to engage or have any interest in such New Business Opportunities. Any Director who is interested in such New Business Opportunities shall not vote on relevant resolutions approving the Approval Notice. If prior to its consummation there is any material change in the nature, terms or conditions of any New Business Opportunities pursued by any Controlling Shareholder and/or his/its close associates with the approval of our Company, such Controlling Shareholder shall and shall procure his/its close associates to, refer such revised opportunities to our Company as if they were New Business Opportunities.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon [REDACTED].

The obligations of each Controlling Shareholders under the Deed of Non-competition will remain in effect until:

- (a) the date on which our Shares cease to be listed on the Stock Exchange; or
- (b) such Controlling Shareholder and his/its close associates, individually and/or collectively, cease to be deemed as a controlling shareholder of our Company (within the meaning defined in the Listing Rules from time to time); or

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- (c) such Controlling Shareholder and his/its close associates, individually and/or collectively beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first.

Nothing in the Deed of Non-competition shall prevent our Controlling Shareholders or any of their associates from carrying on any business whatsoever other than the Restricted Activity.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted to monitor the compliance of the Deed of Non-competition and to avoid any other potential conflicts of interest:

- (a) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to the paragraph headed "Directors and senior management – Directors – Independent non-executive Directors" of this document;
- (b) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and their respective close associates;
- (c) our Board shall request our Controlling Shareholders to promptly provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-competition and make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders in the annual reports of our Company and/or by way of announcements published by our Company;
- (e) any New Business Opportunities under the Deed of Non-Competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders will be referred to our independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on the relevant

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matters. In the event any New Business Opportunities presented by or otherwise arising in connection with any of our Controlling Shareholders are turned down by our Group according to the Deed of Non-competition, our Company will disclose the decision, as well as the basis for such decision in the annual report of our Company. The annual report of our Company will include the views and decisions, with bases, of our independent non-executive Directors on whether to take up any New Business Opportunities under the Deed of Non-competition or other matters having a potential conflict of interest with our Controlling Shareholders that have been referred to our independent non-executive Directors;

- (f) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in the New Business Opportunities and if so, any condition to be imposed;
- (g) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her/its interests and, where required, abstain from participating in the relevant Board meeting or general meeting and voting on the transaction and not count as quorum where required; and
- (h) our Company has appointed Cinda International as our compliance adviser, which upon enquiry of our Company, will provide advice and guidance to our Company in respect of compliance with the Listing Rules.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements. With the corporate governance measures comprising the measures set out above, our Directors believe that the interest of our Shareholders will be protected.