
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and Capitalisation Issue, Zhixin Investment BVI will hold approximately 48.7575% of the issued share capital of our Company, where Zhixin Investment BVI is wholly owned by Mr. Ye. As Zhixin Investment BVI and Mr. Ye directly or indirectly are entitled to exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, each of Zhixin Investment BVI and Mr. Ye is regarded as our Controlling Shareholder under the Listing Rules.

As at the Latest Practicable Date, neither Zhixin Investment BVI nor Mr. Ye controls or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business.

Management, operational, administrative and financial independence of our Group

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates based on the following particulars:

Management independence

Our Board comprises five executive Directors and three independent non-executive Directors. Mr. Ye, the chairman of the Board and an executive Director, is one of our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among 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 associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Apart from our Directors, we have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Share Offer.

Operational, administrative and financial independence

Our Group has our own independent administrative and corporate governance structure comprising separate individual departments, each with specific areas of responsibilities, including financial and accounting management, business development. During the Track Record Period, our Group was operationally and administratively independent of our

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Controlling Shareholders and their associates as we have our own operational personnel and administrative personnel. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after Listing.

Our Group makes business decisions independently and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our sourcing independently to whom we have independent access. Our Directors currently do not expect there will be other transactions between our Group and our Controlling Shareholders following Listing.

During the Track Record Period, certain bank borrowings were guaranteed by personal guarantee of Mr. Ye, who is one of our Controlling Shareholders. For further details of the guarantees, please refer to paragraph headed “Borrowings” under the section headed “Financial information” and Note 26 to the Accountant’s Report in Appendix I to this prospectus. Our Directors confirm that all the guarantees provided by Mr. Ye will be released upon Listing.

As at 31 January 2021, a balance of approximately RMB31.7 million in aggregate was due to Mr. Ye and Mr. Huang. The balance represented (i) outstanding balances of loans and interest from Mr. Ye and Mr. Huang; and (ii) listing expenses paid by Mr. Ye on behalf of our Group. All outstanding balance of amounts due to related parties will be capitalised to other reserves upon Listing.

Our Directors confirmed that, save as disclosed above and in the section headed “Financial information” and the Accountant’s Report in this prospectus, our Controlling Shareholders have not provided any guarantees, loans or pledges in favour of our Group during the Track Record Period and up to the Latest Practicable Date.

Save as the above, our source of funding is independent from our Controlling Shareholders and neither our Controlling Shareholders nor its respective associates had financed our operations during the Track Record Period. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders. During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems.

Based on the above, our Directors believe that our Group’s business operation does not rely on our Controlling Shareholders and our Group is capable of operating independently without financial reliance on our Controlling Shareholders.