
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer, Zi Yue and Gensis FAR will be interested in approximately 28.3607% and 5.3815% of our total issued share capital respectively (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Zi Yue is an investment holding company and is wholly-owned by Mr. Wang. Gensis FAR is a company wholly-owned by Hangzhou Aiyuan L.P., a limited partnership in which Mr. Wang is interested in approximately 37.88% of its equity interest.

Accordingly, immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Wang will be interested in approximately 33.7422% of our total issued share capital through Zi Yue and Gensis FAR (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). For the purpose of the Listing Rules, Mr. Wang, Zi Yue, Gensis FAR, Hangzhou Aiyuan L.P. are a group of Controlling Shareholders. Further details of Mr. Wang is set out in the section headed “Directors and Senior Management” in this prospectus.

COMPETING INTEREST

As at the Latest Practicable Date, apart from the business of our Group, none of our Controlling Shareholders, our Directors, and their respective close associates has carried on, or has any interest in, any other business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group’s business after the Listing independently from our Controlling Shareholders and their close associates and/or companies controlled by them:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and independent access to third-party financing to support its daily operations.

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During the Track Record Period, our Group had certain amounts due to and/or from related parties including one of our Controlling Shareholders, Mr. Wang. All loans and advances from Mr. Wang are expected to be fully settled upon Listing. For details, please refer to note 22 to the Accountants' Report set out in Appendix I to this prospectus.

Our Directors are of the view that there has been sufficient cash flow to support the operation of our Group's business. During the Track Record Period, our Group has relied principally on cash generated from operations and bank borrowings to carry on our businesses and this is expected to continue after the Share Offer. Our Directors also believe that our Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, the Group will be financially independent from our Controlling Shareholders after the Listing.

(ii) Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders after the Listing.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of the Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Notwithstanding this, our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board.

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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 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 any Director or his/her respective close associates, the interested Director shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board. We have also adopted certain corporate governance measures for conflict situation. Please refer to the paragraph “Key corporate governance measures” in the business section for further details.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section “Directors and Senior Management” in this prospectus.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role independently.

(iv) Independence of major suppliers

To the best of our Directors’ knowledge, information and belief, none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five suppliers of our Group in each year (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Save as disclosed in the section headed “Business — Our customers” and to the best of our Directors’ knowledge, information and belief, none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers of our Group in each year (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

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NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition among our Group, our Controlling Shareholders entered into the Deed of Non-competition on 1 December 2023 in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, our Controlling Shareholders irrevocably and unconditionally undertake to our Company (for itself and for the benefit of each other member of our Group) that they shall not, and shall procure their close associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the Listing, save for the holding of not more than 5% shareholding interests (individually or with their close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with their close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of our Controlling Shareholders (individually or with their close associates).

Our Controlling Shareholders further undertake that if they or their close associates (other than any member of our Group) are offered or become aware of any business opportunity which may compete with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the Listing, they shall (and they shall procure their close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify our Controlling Shareholders whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunities). Mr. Wang and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

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The Deed of Non-competition is conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and the conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable waived) and the Underwriting Agreements not being terminated in accordance with their respective terms.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) Mr. Wang whether individually or taken together with his close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).