
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Mr. Zhao, our founder, chairman and chief executive officer, and Ms. Zhu, being the spouse of Mr. Zhao, have jointly invested in our Group for more than ten years, and have been acting in concert on the decision-making process as shareholders of the Company since then. As such, Mr. Zhao and Ms. Zhu are regarded as a group of Controlling Shareholders.

As at the Latest Practicable Date, Mr. Zhao, together with Ms. Zhu, indirectly held approximately 51.01% of the issued Shares in aggregate comprising (i) the 24.97% of the issued Shares held by Mr. Zhao through Willam Zhao Limited and Willian Zhao I Limited, both of which are wholly owned by Mr. Zhao, and (ii) the 26.04% of the issued Shares held by Ms. Zhu through Shuina Zhu Limited. For family wealth management and estate planning purpose, Mr. Zhao and Ms. Zhu propose to transfer their respective interest in the Company directly held by Willam Zhao Limited and Shuina Zhu Limited to Real Force Limited and Precious Sight Limited (being BVI-incorporated holding vehicles) for the benefit of the Founders’ Family Trust. The establishment of the Founders’ Family Trust will be completed before the [REDACTED].

Accordingly, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Zhao and Ms. Zhu will be interested in approximately [REDACTED]% of the total issued Shares in aggregate, being the total issued Shares held by Willian Zhao I Limited, and Real Force Limited and Precious Sight Limited (being two holding vehicles for the benefit of Founders’ Family Trust). Therefore, Mr. Zhao and Ms. Zhu, together with Real Force Limited, Precious Sight Limited, Willam Zhao Limited, Shuina Zhu Limited and Willian Zhao I Limited, will be the group of our Controlling Shareholders upon completion of the [REDACTED].

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Controlling Shareholders, was interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that our Group can conduct our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, please see “Directors and Senior Management.”

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Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (1) each of our Directors is fully 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 our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist;
- (2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (3) all of our three independent non-executive Directors are independent of the Controlling Shareholders and have extensive experience in their respective areas of expertise. See "Directors and Senior Management." All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;
- (4) our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with any of the Controlling Shareholders or their respective close associates; (b) our independent non-executive Directors account for more than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and
- (5) upon [REDACTED], we will adopt corporate governance measures and sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and the Controlling Shareholders, which would support our independent management. Please see "– Corporate Governance Measures" below for further information.

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

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Operational Independence

Our Group holds all the relevant licenses, qualifications, intellectual properties and permits required for conducting our Group’s business. Our Group has sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates. Our Group also has independent access to our customers and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

We believe that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates. Our Directors confirmed that we are able to operate our business independently from our Controlling Shareholders and/or their close associates after the [REDACTED].

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit, and internal control functions independent from our Controlling Shareholders and their close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates. We do not expect to rely on our Controlling Shareholders and/or their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED].

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholder Group. As of the Latest Practicable Date, there were no subsisting loans, guarantees or pledges provided by our Controlling Shareholder Group and/or their respective close associates to our Group. In addition, during the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-[REDACTED] Investments from third party investors independently. For details of the Pre-[REDACTED] Investments, see “History, Reorganization and Corporate Development” in this document.

Based on the aforesaid, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after the [REDACTED].

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CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- (d) our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (e) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;
- (f) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix C1 to the Listing Rules; and

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- (g) we have appointed Alliance Capital Partners Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

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