
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang, through Growth Value, Fase Ltd and Gather Forever, held 106,855,884 Shares, representing approximately 34.02% of the issued share capital of the Company. Immediately following completion of the [REDACTED] (assuming full conversion of the Pre-[REDACTED] Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), Mr. Wang, through Growth Value, Fase Ltd and Gather Forever, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately [REDACTED]% of the issued share capital of our Company. Accordingly, Mr. Wang, Growth Value, Fase Ltd and Gather Forever will continue to be our Controlling Shareholders, and our Company will not have any controlling shareholder upon completion of the [REDACTED].

Upon the establishment of The Hope Trust, Growth Value is controlled by Mr. Wang as it is owned as to (i) 99% by Gather Forever, which is in turn wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust); and (ii) 1% by Fase Ltd, which is wholly-owned by Mr. Wang. The Hope Trust is an irrevocable reserved power trust established by Mr. Wang, as the settlor and protector, with CMB Wing Lung (Trustee) Ltd., an independent trustee, as trustee, for the benefit of Mr. Wang and his family members. Mr. Wang is also the sole director of Growth Value and Fase Ltd, each of which is an investment holding vehicle without substantive business operations.

For details of the shareholding of our Controlling Shareholders immediately prior to and following completion of the [REDACTED], please see the section headed "History, Reorganization and Corporate Structure" in this document.

OTHER BUSINESS OR INTERESTS OF OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition does not develop between our Group and other business and/or interest of our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-competition on [●] in favor of our Company to the effect that they will not and will procure each of their respective close associates (excluding our Group) not to, directly or indirectly engage in, or hold any right or interest, or otherwise be involved in any business which may be in substantial competition with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after completion of the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

Although one of our executive Directors, Mr. Wang, is also one of our Controlling Shareholders, all of our other Directors and senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independently from our Controlling Shareholders. The balance of power and authority is ensured by the operation of the senior management and our Board. We are of the view that our Company is able to carry on our business independently from our Controlling Shareholders and their respective close associates from a management perspective for the following reasons:

- (a) each Director 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 interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Group. For details of the industry experience of our senior management team, please see the section headed "Directors and Senior Management" in this document;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, please see the paragraph headed "Corporate Governance Measures" in this section.

Based on the above, the Directors believe that the Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational Independence

Although our Controlling Shareholders will retain a substantial interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and carry out, our business operations independently, and we are capable of operating our business independently from our Controlling Shareholders and their respective close associates since:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (a) we do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own divisional and functional teams specialising in these respective areas. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our business and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates;
- (b) we have independent access to suppliers and customers and an independent management team to handle our day-to-day operations;
- (c) we are in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently; and
- (d) we have established corporate governance procedures in safeguarding the interests of our Shareholders and preventing our Controlling Shareholders from furthering their own interests at the expense of our Group's interests. For details, please see the paragraph headed "Corporate Governance Measures" in this section.

Details of the continuing connected transactions between our Group and Mr. Wang and Wang PRC SPV, which will continue after completion of the [REDACTED] and are related to our Contractual Arrangements, are set out in the sections headed "Continuing Connected Transactions" and "Contractual Arrangements" in this document. Our Directors are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group; in the ordinary and usual course of our Group's business and are not expected to affect our operational independence as a whole.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

As of the Latest Practicable Date, our Group had bank borrowings in an aggregate amount of RMB15 million from licensed banks in the PRC secured by personal guarantees provided by Mr. Wang. It is expected that the aforementioned personal guarantee by Mr. Wang will be released prior to the [REDACTED].

Save as disclosed above, there is no other financial assistance provided by our Controlling Shareholders or their respective close associates to our Group.

Notwithstanding the foregoing, we believe that we are able to operate financially independently from our Controlling Shareholders and their respective close associates as:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (a) we have an independent financial system and make financial decisions according to our Group's own business needs;
- (b) we have internal control and accounting systems and an independent finance department for discharging the treasury function;
- (c) 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] and we do not expect to rely on Mr. Wang and his close associates for financing after the [REDACTED];
- (d) we are capable of obtaining financing from external resources independently without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates; and
- (e) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations.

DEED OF NON-COMPETITION

Our Controlling Shareholders (collectively, the "Covenantors" and each, a "Covenantor") have entered into the Deed of Non-competition in favour of our Company pursuant to which each of the Covenantor has, among other things, irrevocably and unconditionally undertaken to our Company that during the period when the Deed of Non-competition remains effective (the "Relevant Period"), the Covenantors will not, and will procure their respective close associates (other than members of our Group) not to (i) directly or indirectly be involved in any business (other than our business) that directly or indirectly competes, or may compete, with the business currently engaged by our Group as disclosed in this document (collectively referred to as the "Restricted Businesses"); or (ii) hold shares or interest in any companies or businesses that compete directly or indirectly with the Restricted Businesses, or conduct any Restricted Businesses, except where our Controlling Shareholders and their respective close associates hold less than 10% of the total share capital of any company which is engaged in any business that is or may be in competition with the Restricted Businesses, and they do not control the composition of the board of directors of such company (the "Non-controlling Interest"). The above restrictions shall not apply to the business of any of our Controlling Shareholders and his/its close associates when (i) our Group engages in a new business that is not a Restricted Business after [REDACTED]; (ii) the holding by our Controlling Shareholders of interests in the shares of a company other than our Group which are listed on a recognized stock exchange, provided that any Restricted Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts, or the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders and their respective close associates in aggregate; or (iii) the business was a Restricted Business but later no longer a Restricted Business as our Group has ceased to engage in such business.

Furthermore, our Controlling Shareholders have undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "Competing Business Opportunity") is identified by/made available to him/it or any of his/its close associates, he/it shall, and shall procure his/its close associates to, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "Offer Notice") within 30 business days of identifying the target company (if relevant), the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall decide whether to pursue or decline the Competing Business Opportunity. Our Company shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. Our Company, within 30 business days of receipt of the written notice referred to above, shall inform our Controlling Shareholders in writing in its decision whether to pursue or decline the Competing Business Opportunity.

Our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from our Company declining such Competing Business Opportunity or if our Company fails to respond within the 30 business days' period as mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, they will refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

For the above purpose, the Relevant Period means the period commencing from the [REDACTED] and shall expire on the earlier of the dates below:

- (a) as for our Controlling Shareholders, the date on which our Controlling Shareholders and their respective close associates cease to be our Controlling Shareholders; or
- (b) our Shares cease to be [REDACTED] on the Stock Exchange.

Our Controlling Shareholders have further undertaken to us that they will provide and procure their close associates to provide, on a best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) in preparation for the [REDACTED], we have conditionally adopted the Articles of Association which complies with the Listing Rules. In particular, pursuant to our Articles of Association, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates (other than any member of our Group) has a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or their respective associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with Mr. Wang or any of his associates, our Company will comply with the applicable Listing Rules;
- (d) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and Mr. Wang and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (e) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition; (ii) consent from our Controlling Shareholders to refer to the said confirmation in our annual reports; and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;
- (f) the independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition;
- (g) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (h) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (i) we have appointed Rainbow Capital (HK) Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to 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 Mr. Wang, and to protect minority Shareholders' interests after the [REDACTED].