
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Mr. Zou is the founder and largest shareholder of our Company. On June 25, 2021, the Board has approved to set up a platform in the BVI to hold incentive shares in a total amount of 4,798,904 Ordinary Shares, representing approximately 22.42% of the total issued share capital of the Company immediately prior to the [REDACTED], for the participants under an RSU Scheme adopted by the Company on August 3, 2021. In order to maintain a stable ownership of the Company as well as the dynamics between our founder and the Pre-[REDACTED] Investors, the voting rights of the ESOP BVI is held by Mr. Zou by way of proxy. Taking into account the Shares held by the ESOP BVI, Mr. Zou is interested in approximately 34.29% of the total share capital of the Company, and therefore he is a controlling shareholder (as defined under the Listing Rules) as at the date of this document. Following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Zou will be interested in an aggregate of approximately [REDACTED]% of the total issued share capital of our Company, comprising: (i) Shares representing approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the share capital of our Company held through Rise Day Holdings Limited, Mingda International Limited and Beier Holdings Limited, respectively, (ii) Shares representing approximately [REDACTED]% of the share capital of our Company held by Mr. Zou directly, and (iii) the voting rights conferred upon Mr. Zou by ESOP BVI through proxy representing approximately [REDACTED]% of the share capital of the Company. Therefore, Mr. Zou, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI will be treated as a group of Controlling Shareholders before the [REDACTED], and Mr. Zou, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI will, collectively, remain as our Controlling Shareholders after the completion of the [REDACTED].

COMPETITION

As of the Latest Practicable Date, none of the 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.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from the Controlling Shareholders and their respective close associates after completion of the [REDACTED]:

Management Independence

The Board and our senior management team make our daily operational and management decisions in a collective manner. The Board comprises four executive Directors and three independent non-executive Directors.

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Each of our Directors is aware of his or her fiduciary duties as a director of our Company that requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is 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. In addition, we have a senior management team to carry out the business decisions of our Group independently.

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

Operational Independence

Our Group possesses all the relevant material licenses, qualifications, intellectual properties and permits required for conducting our Group’s business. We have an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders and their respective 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. For details, please refer to the sub-section “—Corporate Governance Measures” in this section.

Based on the above, our Directors believe that we are capable of carrying on our business independently of the Controlling Shareholders and their respective close associates. Our Directors confirmed that our Group will be able to operate independently from Mr. Zou and his 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 the Controlling Shareholders, as well as a sound and independent financial system, and makes independent financial decisions according to our business needs. Our Company maintains bank accounts independently and does not share any bank account with the Controlling Shareholders. Our Group makes tax registration and pays tax independently with our own funds. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of the Controlling Shareholders and their respective close associates.

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Pursuant to a loan agreement originally dated December 22, 2017 (as amended by an amendment agreement dated January 29, 2021) and entered into between the Company as lender and Beier Holdings Limited as borrower (the “**Borrower**”), the Company granted to the Borrower a US\$ term loan facility (“**Original Facility**”) in the aggregate principal amount of US\$12 million to finance Borrower’s the acquisition of 359,000 Class 1 Ordinary Shares (“**Management Shares**”). The Original Facility was drawn in full on December 29, 2017. The Original Facility was secured by a share mortgage over the Management Shares originally dated December 22, 2017 and supplemental share mortgage over the Management Shares dated January 29, 2017 (the “**Security for Original Facility**”).

On June 28, 2021, the Company and the Borrower executed a loan agreement to confirm the terms of an additional US\$ term loan facility (the “**Second Facility**”, together with the Original Facility, the “**Facilities**”) in the aggregate principal amount of US\$1,264,349, which was granted by the Company to the Borrower on December 29, 2017 to finance the Borrower’s purchase of the additional 37,827 Class 1 Ordinary Shares. Such Second Facility was utilized in full on December 29, 2017.

The interest rate applicable to both Facilities is 3%. The Borrower shall repay all the outstanding principal amount and all accrued interests under each Facility in full on the earlier of (i) the date falling on 12 months from the completion date of the [REDACTED] of the Company; and (ii) December 31, 2023. As of the Latest Practicable Date, the Facilities have been fully repaid by the Borrower.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates will be outstanding as of the [REDACTED]. Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from Mr. Zou and his close associates from a financial perspective and are able to maintain financial independence from Mr. Zou and his close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. The following corporate governance measures would be adopted to manage potential conflict of interests between our Group and the 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

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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 interest of our minority Shareholders;

- (c) we have appointed First Shanghai Capital Limited as our compliance adviser, 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;
- (d) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence;
- (e) we will provide trainings for our Directors and our senior management members on a regular basis to ensure that they understand their obligations under the Listing Rules; and
- (f) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

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