

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Ko controlled an aggregate of approximately 56.95% of the voting rights of our Company, comprising (i) 28,670,000 Shares, representing approximately 24.64% of the voting rights held by Wuxi Weiheng, which is wholly owned by Reorient Investments Limited. Reorient Investments Limited is in turn wholly owned by Rich Master, a company wholly owned by Mr. Ko; (ii) 20,000,000 Shares, representing approximately 17.19% of the voting rights held by Reorient Investments Limited; and (iii) 17,590,941 Shares, approximately 15.12% of the voting rights held by Shanghai Juhengxin, the general partner of which is Ruinao Shanghai. Ruinao Shanghai is in turn wholly owned by Reorient Capital Markets Limited, a company wholly owned by Mr. Ko.

Upon completion of the [REDACTED] (assuming the Share Subdivision is completed and the [REDACTED] is not exercised), Mr. Ko will control [REDACTED]% of the voting rights of our Company. Therefore, Mr. Ko, Rich Master, Reorient Investments Limited, Wuxi Weiheng, Reorient Capital Markets Limited, Ruinao Shanghai and Shanghai Juhengxin will remain as a group of Controlling Shareholders upon [REDACTED].

COMPETING INTERESTS

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates has any interest in a business, apart from the business of our Group, that competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independent from the Controlling Shareholders and their close associates after the [REDACTED].

Operational independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Our Group holds or enjoys the benefits of material relevant licenses and intellectual properties and research and development facilities necessary to carry on our business. We have our own facilities, equipment and employees to operate our business independent from our Controlling Shareholders. We also have independent access to our customers and suppliers.

There was no business transaction between our Group and our Controlling Shareholders and/or their respective close associates during the Track Record Period.

Having considered the above, our Directors consider that our Group will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is primarily managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of eight Directors, comprising three executive Directors, two non-executive directors and three independent non-executive Directors. For more information, see "Directors and Senior Management." Our Directors are of the view that our Board and management team are able to manage our business independently from the Controlling Shareholders and their close associates for the following reasons:

- Mr. Sun Yaojie and Mr. Xu Yuanyuan (both being our executive Directors) and Ms. Ko Wing Yan, Samantha (our non-executive Director) also hold directorships in Wuxi Weiheng, which is established for the purpose for holding shares in our Company, and has no actual operation activities as of the Latest Practicable Date. Saved for the above, our executive Directors and senior management members do not hold any other role as an executive director or member of senior management in any close associates of our Controlling Shareholders (other than our Group).
- Our daily operational and management activities are made collectively by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details of the industry experience of our senior management, please see "Directors and Senior Management" in this document.
- Each Director is aware of his/her fiduciary duties as a Director of our Company 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 our Directors and/or their respective close associates, the interested Director(s) and his/her/their respective close associates shall abstain from voting at the relevant board meetings of our Company in respect of such transactions.
- Our independent non-executive Directors have been appointed in compliance with the requirements under the Listing Rules to ensure that the decisions of our Board will be made only after due and careful consideration of independent and impartial opinions. Our Directors believe that the presence of independent non-executive Directors provides a balance of views and opinions and will bring independent judgement to the decision-making process of the Board.
- Members of our management team are independent from our Controlling Shareholders and their respective close associates. They have relevant industry expertise and substantial experience to implement our Group's policies and strategies and can discharge their duties independently.

Having considered the above factors, our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group, which is independent from our Controlling Shareholders and their respective close associates. We are able to make financial decisions independent from our Controlling Shareholders and their respective close associates, and they do not intervene with our use of funds.

During the Track Record Period, our Controlling Shareholders and/or their close associate had provided loans (which has been settled as of the Latest Practicable Date) or guarantees for certain of our bank borrowings. See Note 28 to the Accountant's Report in Appendix I to this document for details. As of the Latest Practicable Date, certain of our bank facilities and/or bank borrowings were secured by guarantees provided by the Controlling Shareholders and/or their close associates. As confirmed by our Directors, the discussions with the relevant banks regarding the release or replacement (as applicable) of all such guarantees were ongoing, and that all such guarantees will be released or replaced prior to the [REDACTED]. Save as disclosed above, none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period.

Having considered the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates after [REDACTED].

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 Shareholders' meeting is to be held for considering proposed transactions in which the Shareholders or any of their respective associates has a material interest, the interested Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, 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/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders and their respective close associates, our Company will comply with the applicable Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient experiences, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders;
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions which have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;
- (f) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group, on one hand, and our Controlling Shareholders and/or our Directors, on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration. Where our independent non-executive Directors reasonably request the advice of independent professionals, such as financial advisers, to help them make the judgement, the appointment of such independent professionals will be made at the expense of our Company; and
- (g) our Company has appointed Maxa Capital Limited as our Compliance Advisor, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control.

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