
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

OVERVIEW

As of the Latest Practicable Date, our Company was directly held by Mr. Xia, Annuo Fuzhuo, Shifeng Huafu and Zhengxuan Annuo as to 9.95%, 4.75%, 20.74% and 18.82%, respectively.

The general partner of Annuo Fuzhuo is Shenzhen Zhengxuan, which is in turn owned by Mr. Xia as to 97.25%. The general partner of Shifeng Huafu is Ningbo Meidixin, which is wholly owned by Shenzhen Zhengxuan. Zhengxuan Annuo has entered into the Concert Party Agreement with Mr. Xia on October 21, 2021, pursuant to which they undertook to vote unanimously when exercising their voting rights in our Company, and Mr. Xia’s decision shall prevail if there is any disagreement between Zhengxuan Annuo and Mr. Xia. Mr. Xia is entitled to control the exercise of 54.25% of the voting rights of our Company as of the Latest Practicable Date and [REDACTED]% immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). Therefore, Mr. Xia, Shifeng Huafu, Annuo Fuzhuo, Zhengxuan Annuo, Ningbo Meidixin and Shenzhen Zhengxuan constitute the Controlling Shareholders Group. For biographic details of Mr. Xia, please refer to the section headed “Directors, Supervisors and Senior Management — Directors” in this document.

CLEAR BUSINESS DELINEATION

Shenzhen Zhengxuan is an investment company incorporated under the laws of the PRC on June 5, 2003. Each of Shifeng Huafu, Annuo Fuzhuo, Zhengxuan Annuo and Ningbo Meidixin is an investment platform. Apart from the business of our Company, Shenzhen Zhengxuan also make investments in companies engaged in various industries including but not limited to information technology and wholesale.

Each member of our Controlling Shareholders Group confirms that, as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that our business will function independently from the Controlling Shareholders Group and their respective close associates after the completion of the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board consists of three executive Directors, three non-executive Director and three independent non-executive Directors. Our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (i) Except for Mr. Xia, a member of the Controlling Shareholder Group, who is a non-executive Director of our Company and not responsible for the daily operation of our Company, and Mr. Jiang Huixian, who holds the position of operations director in Shenzhen Zhengxuan, a member of the Controlling Shareholder Group, our Directors and all our senior management members do not hold any management position and/or directorship in the Controlling Shareholders Group or its close associates as of the Latest Practicable Date;
- (ii) each of our Directors 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 interests;
- (iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Controlling Shareholders Group, the interested Directors 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;
- (iv) our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, all of our three independent non-executive Directors are independent of the Controlling Shareholders Group and have extensive experience in their respective areas of expertise. For biographic details of our independent non-executive Directors, please refer to the section headed “Directors, Supervisors and Senior Management” in this document. All of 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; and
- (v) upon completion of the [REDACTED], our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders Group, which would support our independent management. See “— Corporate Governance Measures” in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

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Based on the above, the Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial responsibility in our Group independently.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders Group and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders Group and their respective close associates after [REDACTED]:

- (i) we are not reliant on intellectual property rights (such as patents, trademarks or copy rights) owned by our Controlling Shareholders Group, or by other companies controlled by our Controlling Shareholders Group;
- (ii) we are the holder of all relevant licenses and permits material to the operation of our business;
- (iii) we have independent access to our customers and suppliers;
- (iv) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders Group;
- (v) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (vi) none of our Controlling Shareholders Group or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders Group.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We can make financial decisions independently and our Controlling Shareholders Group does not intervene with our use of funds. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders Group.

As of the Latest Practicable Date, we did not have any outstanding loans or non-trade balances granted, guaranteed or pledged by any of our Controlling Shareholders Group to us.

Based on the above, our Directors are of the view that we are capable of maintaining financial independence from, and do not place undue reliance on, our Controlling Shareholders Group and their respective close associates after the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders Group and their respective close associates upon [REDACTED]:

- (i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Shareholders’ meeting involves proposed transactions in which the Controlling Shareholders Group or their respective close associates has a material interest, the Controlling Shareholders Group or their respective close associates will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with the Controlling Shareholders Group or any of their respective close 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;
- (iv) our Board will consist of a balanced composition of executive and non-executive Directors, including one-third of whom are 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. Our Company will disclose decisions on matters reviewed by the independent non-executive Directors either through the interim and annual reports or by way of announcements;
- (v) 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 Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules; and
- (vi) we have appointed CMBC International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to 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 the Controlling Shareholders Group and/or Directors to protect minority Shareholders’ rights after [REDACTED].