
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS

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Immediately before completion of the [REDACTED], Mr. Wang controlled the voting rights of approximately 34.64% of the issued share capital of our Company, comprising (a) 6.36% held directly by Mr. Wang; and (b) 28.28% held indirectly through Chunan Kalujiaren, Hangzhou Kalujiaren and Hangzhou Xunlongren (the “Controlled Entities”):

- (i) Chunan Kalujiaren, being a company held by Mr. Wang as to approximately 42.80%, which in turn holds approximately 21.14% of the total issued share capital of our Company;
- (ii) Hangzhou Kalujiaren, being a limited partnership in which Mr. Wang acts as the sole general partner, which in turn holds approximately 4.64% of the total issued share capital of our Company; and
- (iii) Hangzhou Xunlongren, being a limited partnership in which Mr. Wang acts as the sole general partner, which in turn holds approximately 2.50% of the total issued share capital of our Company.

In addition to Mr. Wang’s ability to control the Controlled Entities as mentioned above, Mr. Wang has entered into Concert Party Arrangements with the Controlled Entities to exercise voting rights in the Company through the Controlled Entities. See “History, Development and Corporate Structure — Concert Party Arrangements” for details.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Wang, directly and indirectly through Controlled Entities will control approximately [REDACTED]% of the voting rights in our Company. Accordingly, Mr. Wang and Controlled Entities together will constitute as a group of our Single Largest Shareholders after the [REDACTED].

INTERESTS OF OUR SINGLE LARGEST SHAREHOLDERS IN OTHER BUSINESSES

Each of our Single Largest Shareholders confirms that he/it does 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 businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDERS

Our Directors consider that we are capable carrying out our business independently from our Single Largest Shareholders and their respective close associates after the [REDACTED], taking into account the following factors:

Management Independence

Our business has been managed and conducted by our Board and senior management. Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors, and we also have six senior management members (of which three are executive Directors). Each of our Directors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management” in this Document.

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Our Directors consider that we are able to carry on our business independently from our Single Largest Shareholders from a management perspective for the following reasons:

- each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- three out of our nine Directors are independent non-executive Directors who have extensive experience in different professions. They have been providing independent oversight and will continue to independently monitor the formulation and implementation of major decisions of our Group based on their skills and qualification and related professional experience. Members of the senior management of our Company (other than Mr. Wang) have been with our Group in management capacity for a number of years, and therefore, have substantial working experience in the industry we are engaged in, and their familiarity with our Group’s business and with the competitive landscape we are in will therefore enable them to make business decisions that are in the best interests of our Group;
- we have established clear reporting lines among the management team of our Company and between our management team and the Board, and our management team ultimately reports to the executive Directors, who are responsible for reporting to the Board. The Board supervises and monitors the performance of our Company’s management team generally through receiving regular reports from our executive Directors, attending regular meetings and other ad hoc meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of our management team, as well as through the regular updates provided to our Directors of our operational and financial information; and
- the Articles of Association has also included relevant provisions to manage conflict of interest, pursuant to which our Directors are prohibited from voting in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting.

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

Operational Independence

We do not rely on our Single Largest Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or our company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Single Largest Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources. We also have full powers to make all decisions regarding, and to carry out, our own business operations independently from our Single Largest Shareholders.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also 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.

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Based on the foregoing, our Directors believe that we are able to operate independently of the Single Largest Shareholders and their close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on the Single Largest Shareholders and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from, among others, operating activities, bank loans, as well as the [REDACTED] from the [REDACTED].

During the Track Record Period, certain of our credited facilities were secured by guarantees provided by Mr. Wang and Chunan Kalujiaren (the “Guarantees”). Please refer to Note 28 to the Accountant’s Report as set out in Appendix I to this document for details. As of the Latest Practicable Date, such Guarantees were released as of the Latest Practicable Date.

As of the Latest Practicable Date, there were no outstanding loans due to or from our Single Largest Shareholders or their close associates, and save as disclosed above, there were no other outstanding pledges or guarantees provided for our benefit by our Single Largest Shareholders or their close associates.

Based on the above, our Directors believe that we have the ability to operate independently of our Single Largest Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from, and do not place undue reliance on, our Single Largest Shareholders and their respective close associates.

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:

- 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 provide that a Director shall not vote on any resolution in which such Director is connected with the company or individual involved;
- we have established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if we enter into further connected transactions with any of our Single Largest Shareholders or their respective associates, our Company will comply with the applicable Listing Rules;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and

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external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors and Senior Management — Board of Directors — Independent Non-executive Directors;”

- in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Single Largest Shareholders and/or our Directors on the other hand, our Single Largest Shareholders and/or our Directors 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 through our annual report or by way of announcements; and
- we have appointed Red Solar Capital 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 the Single Largest Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].