

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Li, was entitled to exercise the voting rights attaching to approximately 48.14% of the total issued share capital of our Company, comprising (i) voting rights attaching to approximately 14.40% of the total issued share capital of our Company directly held by him, and (ii) voting rights attaching to approximately 33.74% of the total issued share capital of our Company held by Hangzhou Yunhui and Hangzhou Lizhi in aggregate. Each of Hangzhou Yunhui and Hangzhou Lizhi is controlled by Mr. Li as their respective managing partner. Please refer to “History, Development and Corporate Structure – Our Shareholding and Corporate Structure” for details.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Li will, by himself and through Hangzhou Yunhui and Hangzhou Lizhi, be entitled to exercise the voting rights attaching to approximately [REDACTED]% of the total issued share capital of our Company. Accordingly, Mr. Li, Hangzhou Yunhui and Hangzhou Lizhi will be our Controlling Shareholders upon the [REDACTED] for the purpose of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Please refer to “Directors and Senior Management” for details.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

- (i) 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 our Group;
- (ii) each Director is aware of his or her fiduciary duties as a director which require, 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 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, the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;
- (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 our Controlling Shareholders or their respective associates, 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 towards the quorum for the voting;
- (iv) we have three independent non-executive Directors with extensive experience in their respective areas of expertise, representing more than one-third of the members of our Board. Certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and approval; and
- (v) we have adopted a series of corporate governance policies and measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to “– Corporate Governance Measures.”

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Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, IT, sales and marketing, or 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 our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and IP 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.

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

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Group’s accounting and finance functions are independent of these of our Controlling Shareholders. During the Track Record Period, we primarily financed our business operation with cash generated from our operating and financing activities. Our Directors confirm that during the Track Record Period, save for the guarantees set forth in Note 31 to the Accountants’ Report set out in Appendix I to this document, none of our Controlling Shareholders or their respective close associates had provided any guarantees to our Group. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from our Controlling Shareholders or any of their respective close associates.

Having considered the above, our Directors confirm that we will not rely on our Controlling Shareholders for financing after the [REDACTED] as we expect that our working capital will be primarily funded from the [REDACTED] and cash flow from operations. Therefore, there is no financial dependence on our Controlling Shareholders and their respective close associates.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in any business, apart from the business of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including that:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum for the voting;
- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

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- (iii) the independent non-executive Directors will review, at least on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Controlling Shareholders will provide all necessary information for the annual review by our independent non-executive Directors;
- (v) our Company will disclose decisions on matters (if any) reviewed by our independent non-executive Directors in the annual reports of our Company or by way of announcements;
- (vi) where our Directors reasonably request the advice of independent professionals, such as independent financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- (vii) we have appointed China Everbright Capital Limited as our compliance adviser to provide us with advice and guidance in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflicts of interest between our Company and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].