
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Wei is entitled to exercise approximately [REDACTED]% voting rights in our Company, through (i) 270,310,455 Shares directly held by him; (ii) 156,378,010 Shares in aggregate held through Lehui Ruisheng, Yuehui Xinghong, Yuehui Xinghong I, Runde Zhiying II, Zhenlecheng and Zhenlecheng XII, the general partner of each of which being Lehui Consulting, a company owned as to 99% by Mr. Wei. Ms. He Xiaomei is the spouse of Mr. Wei and she is entitled to exercise approximately [REDACTED]% voting rights in our Company through 1,166,065 Shares directly held by her. Therefore, Mr. Wei, Ms. He Xiaomei, Lehui Consulting, together with Lehui Ruisheng, Yuehui Xinghong, Yuehui Xinghong I, Runde Zhiying II, Zhenlecheng and Zhenlecheng XII, will collectively hold [REDACTED]% voting rights in the Company and constitute a group of Controlling Shareholders upon [REDACTED].

In addition, Yuehui Xinghong II and Zhenlecheng I (and their ultimate beneficial owners) do not exercise control or influence over the Yuehui Xinghong and Zhenlecheng on the basis that (a) general partner of Yuehui Xinghong and Zhenlecheng retains sole management authority over the platforms and voting control of the Company's Shares held by the platforms, and can only be removed if there is a material breach and such removal requires the unanimous consent of all limited partners, and (b) the limited partners, including Yuehui Xinghong II and Zhenlecheng I are passive participants who are not involved in the operations or decision-making of the platforms, and only have rights on limited protective matters. Therefore, they are not regarded as members of the group of Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and 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 hold our own operation resources including but not limited to customers and suppliers, as well as our own registered patents which can be used for producing our products. We have a team of senior management to operate the business independently from our Controlling Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Controlling Shareholders for sources of suppliers, customers and business partners. In addition, neither Ms. He Xiaomei (Mr. Wei's spouse) nor Ms. Wei Keyao (Mr. Wei's daughter) holds any managerial role within the Group, nor are they involved in the daily management of the Group. Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (a) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

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- (b) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company’s best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (c) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have a finance center independent from our Controlling Shareholders and their respective close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the Pre-[REDACTED] Investments from third party investors independently. For details of the Pre-[REDACTED] Investments, see “History, Development and Corporate Structure” of this Document. As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Controlling Shareholders or their respective close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- (a) 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 in the voting;
- (b) our Group has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if any transaction is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders’ approval;
- (c) our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing one-third of our Board 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 to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- (e) we have appointed Somerley Capital Limited as our Compliance Advisor to 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, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

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 Company and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].