

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Ms. Feng, through FWH Holding Ltd., Feng WH, WH Feng Ltd. and Qdama Talent, was entitled to control the exercise of 51.26% voting rights of the issued Shares of the Company.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Ms. Feng, through FWH Holding Ltd., Feng WH, WH Feng Ltd. and Qdama Talent, will be collectively interested in approximately [REDACTED]% of our enlarged issued share capital. Therefore, Ms. Feng, FWH Holding Ltd., Feng WH, WH Feng Ltd. and Qdama Talent will remain as our Controlling Shareholders immediately upon completion of the [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our business is managed and conducted by our Board and senior management. Despite that Ms. Feng serves as our executive Director and Chairperson of the Board, Ms. Feng has devoted substantially all of her business interests to our Group, and our Directors expect that there will be no competition between the Company and our Controlling Shareholders and the risk of potential conflicts of interest will be comparatively low. Our Directors believe that our Board and our management team are able to operate our business and manage all actual or potential conflicts of interest independently of our Controlling Shareholders for the following reasons:

- (i) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (iii) our daily management and operations are carried out by our two executive Directors and other six members of our senior management team. As of the Latest Practicable Date, except for our executive Director and CEO, Ms. Feng, none of the other Directors and senior management holds any management position or directorship in our Controlling Shareholders' and/or their close associates. They also 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 interest of our Group;
- (iv) all of our three independent non-executive Directors are independent of the Controlling Shareholders and have extensive experience in their respective areas of expertise. See “Directors and Senior Management.” All 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;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) where a Shareholders’ meeting is held to consider a proposed transaction in which any of the Controlling Shareholders has a material interest, the relevant Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting;
- (vi) our Company has appointed Red Solar Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors’ duties and corporate governance; and
- (vii) 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 our Controlling Shareholders 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.

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 role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group’s business and have obtained all the relevant material licenses, qualifications and approvals for conducting all our business. Currently, we engage in our Group’s business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on the Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

We entered into certain continuing connected transactions with our Controlling Shareholders and/or their associates in respect of certain continuing connected transactions, including procurement and franchise arrangements. For more details, see “Connected Transactions.” Considering our access to independent sources and the sufficient competitive market, our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable suppliers or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and operational needs without causing any undue delay.

Based on the above, our Directors are of the view that the Company operates independently from our Controlling Shareholders.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates.

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 to us.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

COMPETING ISSUES UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and Directors (other than the independent non-executive Directors) confirm that as of the Latest Practicable Date, they 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, which would require disclosure under Rule 8.10 of the Listing Rules.

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 our Controlling Shareholders:

- (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 towards the quorum for the voting;
- (ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholders 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 the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of their 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 not less than one-third of 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;
- (v) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the relevant Controlling Shareholders shall provide the independent non-executive Directors with all relevant financial, operational and market and any other necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company’s cost; and
- (vii) 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 Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors’ duties and internal controls.

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 our Controlling Shareholders and/or Directors to protect minority Shareholders’ rights after the [REDACTED].