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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

As of the Latest Practicable Date, Mr. GE Tairong and Ms. CAO Meisheng held an aggregate of approximately 38.38% of the total issued share capital of our Company, comprising approximately (i) 32.52% direct interest held by Mr. GE Tairong, (ii) 4.48% direct interest held by Ms. CAO Meisheng, (iii) 0.76% indirect interest held by Shanghai Chaotai, a limited partnership owned as to 33.07% by Ms. CAO Meisheng as the general partner, and (iv) 0.62% indirect interest held by Shanghai Congjiong, a limited partnership owned as to 7.34% by Ms. CAO Meisheng as the general partner. Mr. GE Tairong and Ms. CAO Meisheng are husband and wife.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. GE Tairong and Ms. CAO Meisheng will hold an aggregate of approximately [REDACTED]% of the total issued share capital of our Company, comprising approximately (i) [REDACTED]% direct interest held by Mr. GE Tairong, (ii) [REDACTED]% direct interest held by Ms. CAO Meisheng, (iii) [REDACTED]% indirect interest held by Shanghai Chaotai, and (iv) [REDACTED]% indirect interest held by Shanghai Congjiong. Therefore, Mr. GE Tairong and Ms. CAO Meisheng will control an aggregate of more than 30% of the voting power at general meetings of our Company. Accordingly, Mr. GE Tairong, Ms. CAO Meisheng, Shanghai Chaotai and Shanghai Congjiong will together constitute a group of Controlling Shareholders upon the [REDACTED].

### INTEREST IN COMPETING BUSINESS

Each of the Controlling Shareholders confirms that he/she/it had no interest in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules as of the Latest Practicable Date.

### NON-COMPETITION UNDERTAKING

For the purpose of the listing of our A Shares on the Shanghai Stock Exchange and to avoid any potential competition between our Group and our Controlling Shareholders, each of Ms. CAO Meisheng and Mr. GE Tairong has provided a non-competition undertaking in favor of our Company, pursuant to which each of Ms. CAO Meisheng and Mr. GE Tairong has undertaken that, among others:

- (a) Ms. CAO Meisheng, Mr. GE Tairong and the companies controlled by them shall not, engage in any business that directly or indirectly competes or may compete with the business operated by our Group, namely, they shall not engage in any business that is identical or similar to the business operated by our Group; and
- (b) If our Company or any of our subsidiaries determines that the existing or future business of any of Ms. CAO Meisheng, Mr. GE Tairong or any companies under their control constitutes or may constitute a competing business, Ms. CAO Meisheng, Mr. GE Tairong and the companies under their control shall, upon receipt of the objection from our Company or any of our subsidiaries, promptly take measures to transfer or cease such business.

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### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

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

#### Management Independence

Our Group’s business is managed and conducted by the Board and senior management. Upon the [REDACTED], the Board will consist of nine Directors comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. For more information, see “Directors and Senior Management.” Our Directors consider that the Board and senior management of our Company are capable of functioning independently of the Controlling Shareholders for the following reasons:

- (i) our Group’s daily management and operations are carried out by a senior management team, all of whom have substantial experiences in the industry in which our Company is engaged as detailed in “Directors and Senior Management,” and will therefore be able to make business decisions that are in the best interest of our Group;
- (ii) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit and in the interest of our Company and the Shareholders as a whole, and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (iii) our Company has four independent non-executive Directors and our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and all of them will be able to provide professional and experienced advice to our Company. In conclusion, our Directors believe that the independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of the Board and protect the interest of our Company and Shareholders as a whole;
- (iv) as an A-share listed company, our Company has formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shanghai Stock Exchange. Our Directors shall not vote in any Board meeting approving any contract or arrangement or any other proposal in which he/she has a material interest and shall not be counted in the quorum present at the particular Board meeting. Hence, none of our Directors will be able to influence our Board in making decisions on matters in which he or she is, or may be interested; and
- (v) our Company has adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our Group’s independent management. See “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from the Controlling Shareholders after the [REDACTED].

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### Operational Independence

Our Group has full rights to make business decisions and to carry out its business independently from the Controlling Shareholders. Our Directors consider that our Company will continue to be operationally independent from the Controlling Shareholders and their respective close associates after the [REDACTED] on the following grounds:

- (i) our Group has sufficient capital, facilities, equipment and employees to operate its business independently from the Controlling Shareholders;
- (ii) our Group has independent access to its customers and suppliers;
- (iii) our Group has its own administrative and corporate governance infrastructure, including its own accounting, legal and human resources departments; and
- (iv) none of our Controlling Shareholders 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 our Group is able to operate independently from the Controlling Shareholders.

### Financial Independence

Our Group has independent internal control and accounting systems. Our Group also has an independent finance department responsible for discharging the financial management, accounting, reporting, funding and treasury function of our Group. Our Group is capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, our Group did not have any outstanding loans granted or guaranteed by any of the Controlling Shareholders or their respective close associates to our Group.

Based on the above, our Directors are of the view that our Group is capable of carrying on its business independently from, and do not place undue reliance on, the Controlling Shareholders and their respective close associates after the [REDACTED].

## CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of the minority Shareholders.

Our Company has adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and the Controlling Shareholders:

- (i) where a Board meeting is to be held for considering matters in which any Director or his/her associates have a material interest, the relevant Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

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- (ii) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective close associates have a material interest, the relevant Controlling Shareholder(s) or close associate(s) will not vote on the relevant resolutions;
- (iii) our Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if our Company enters into connected transactions or related party transactions with the Controlling Shareholders or any of their close associates, our Company will comply with the applicable laws and regulations, including the Hong Kong Listing Rules;
- (iv) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and the Controlling Shareholders and provide impartial and professional advice to protect the interests of the minority Shareholders;
- (v) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by applicable laws and regulations, including the Hong Kong Listing Rules;
- (vi) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;
- (vii) our Company has appointed Somerley Capital Limited as the Compliance Advisor to provide advice and guidance to our Company in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance; and
- (viii) our Company has established the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee with written terms of reference in compliance with the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules.

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