
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OUR SINGLE LARGEST SHAREHOLDER

Immediately prior to the [REDACTED], our Company is owned as to 25.57% by Mr. Zuo and 6.16% by Zhoushan Aizhong. Zhoushan Aizhong is our employee stock ownership platform, which is controlled by Mr. Zuo, being the general partner of Zhoushan Aizhong. Therefore, Mr. Zuo, directly and through Zhoushan Aizhong, controlled approximately 31.73% of our total issued share capital as of the Latest Practicable Date and constitute our Controlling Shareholders (as defined under the Listing Rules) before [REDACTED].

Immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised, Mr. Zuo, directly and through Zhoushan Aizhong, will control approximately [REDACTED] of our total issued share capital of our Company. Therefore, Mr. Zuo and Zhoushan Aizhong will be regarded as our group of single largest shareholder upon [REDACTED]. For details of Zhoushan Aizhong, an employee stock ownership platform, see “History, Development and Corporate Structure.”

INDEPENDENCE FROM SINGLE LARGEST SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our single largest shareholder and his close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of six Directors, comprising one executive Director, two non-executive Directors and three independent non-executive Directors. For more information, please see section headed “Directors and Senior Management”.

Our Directors consider that our Board and senior management are capable of operating our business from a management perspective for the following reasons:

- (a) each Director 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 interests;
- (b) 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. For details of the industry experience of our senior management team, see “Directors and Senior Management”;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) 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, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and.
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Shareholder which would support our independent management. For details, see “—Corporate Governance.”

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Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the single largest shareholder and his close associates after the [REDACTED].

Operational Independence

Our Group is not operationally dependent on the single largest shareholder. We have obtained relevant qualifications and licenses, independent operating premises, domain names and electronic information systems needed for our businesses.

We have our own organizational structure, with each department having specific areas of responsibilities. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted a set of corporate governance manuals, including but not limited to the terms of reference for general meetings and terms of reference for Board meetings, both of which are based on relevant applicable laws, rules and regulations.

Based on the above, our Directors are of the view that our Group operates independently from our single largest shareholder.

Financial Independence

We have established our own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our single largest shareholder and his 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 single largest shareholder. 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 single largest shareholder and his associates.

As of the Latest Practicable Date, there was no outstanding loan, advance, balance of non-trade nature due to or from, or pledge or guarantee provided by our single largest shareholder or his close associates. We do not expect to rely on our single largest shareholder and his associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the [REDACTED] from the [REDACTED].

Based on the above, our Directors believe that we do not place undue reliance on our single largest shareholder and his close associates.

CORPORATE GOVERNANCE

Upon the [REDACTED], we will comply with the provisions of the Corporate Governance Code set forth in Appendix C1 to the Listing Rules, which sets out the 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 between our Group and the single largest shareholder:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the single largest shareholder or any of their respective associates has a material interest, the single largest shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;

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- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a substantial shareholder or any of his/its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the single largest shareholder (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the single largest shareholder will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) 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 expenses; and
- (g) we have appointed Somerley Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to 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 shareholder, and to protect minority Shareholders’ interests after the [REDACTED].