
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Pursuant to the Acting-in-Concert Arrangement, Mr. Sun, Ms. Zhang Huiru, Ms. Zhang Na, Mr. Zhang Baohua and Mr. Luo Shimin, acknowledged and confirmed that, among other things, (i) they have acted and will continue to act in concert when exercising their rights and/or voting power as shareholders of our Group, and (ii) in the event they are unable to reach consensus, Ms. Zhang Huiru, Ms. Zhang Na, Mr. Zhang Baohua and Mr. Luo Shimin shall act in concert with Mr. Sun and follow Mr. Sun’s decisions when exercising their rights and/or votes. For details, see the section headed “History, Development and Corporate Structure — Acting-in-Concert Arrangement.” As of the Latest Practicable Date, Mr. Sun acted as the general partner of each of Maidehao Management and Maidetong Business, our Equity Incentive Platforms.

As of the Latest Practicable Date, by virtue of the Acting-in-Concert Arrangement, Mr. Sun, Ms. Zhang Huiru, Ms. Zhang Na, Mr. Zhang Baohua and Mr. Luo Shimin, together with Mr. Sun’s controlled entities, namely, Maidehao Management and Maidetong Business, collectively controlled approximately 63.04% of the voting rights at the general meetings of our Company. Immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), they will, directly and indirectly, be able to control in aggregate approximately [REDACTED]% of the voting rights at the general meetings of our Company. Therefore, Mr. Sun, Ms. Zhang Huiru, Ms. Zhang Na, Mr. Zhang Baohua, Mr. Luo Shimin, Maidehao Management and Maidetong Business will constitute a group of Controlling Shareholders of our Company for the purpose of the Listing Rules.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other 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.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational Independence

Our Group operates independently from our Controlling Shareholders and their close associates.

We have full rights to make all decisions regarding, and carry out, our business operations independently. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Controlling Shareholders and their respective close associates. We have independent access to suppliers and customers. We are also in possession of all assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that our Group is able to operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function, and an audit committee comprising solely of non-executive Directors to oversee our accounting and financial reporting processes. We make tax registration and pay tax

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independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that from a financial perspective, we are capable of carrying on our business independently from members of the group of Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Upon [REDACTED], our Board will consist of eight Directors: four executive Directors and four independent non-executive Directors. For more details, see “Directors and Senior Management” in this document.

Our management and operational decisions are made by our Board and senior management collectively, most of whom have served our Group for a significant period of time and have substantial and extensive relevant industry experience and expertise. Other than Mr. Sun, none of the Directors or members of the senior management of our Company holds any directorships and/or other senior management roles in our Controlling Shareholders and their respective close associates (excluding members of our Group).

Our Directors are of the view that our Board and the senior management members are able to function independently from our Controlling Shareholders and their close associates for the following reasons:

- (i) each of the Directors is aware of his or her fiduciary duties, which, among other things, require them to act in the best interest of our Company and the Shareholders as a whole, and should not allow any conflict of interests between his or her duties as a Director and his or her personal interests;
- (ii) our daily management and operations are carried out by the 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 interest of our Group. For details of the industry experience of our senior management team, see “Directors and Senior Management” in this document;
- (iii) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole;
- (iv) 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 or her close associates, he or she shall abstain from voting and shall not be counted towards the quorum; and
- (v) we have adopted a series of corporate governance measures to manage conflict of interest, if any, between our Group and the Controlling Shareholders, which would support our independent management. For details, see “— Corporate Governance Measures” in this section.

Based on the above, our Directors are satisfied that our Board as a whole and together with our senior management members are able to perform their respective managerial roles in our Group independently from members of the Controlling Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

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In order to further safeguard the interest of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflict of interest with members of our Controlling Shareholders and their respective close associates:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their respective associates has a material interest, such Controlling Shareholder(s) will not vote on the resolutions and shall not be counted towards the quorum;
- (ii) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest and nor shall such Director be counted in the quorum present at the relevant Board meeting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules;
- (iv) our Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Our Company has appointed four independent non-executive Directors and believes that the independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and (iii) will be able to provide an impartial and external opinion to protect the interest of our Shareholders as a whole. For details of the biographies of our independent non-executive Directors, see “Directors and Senior Management” in this document;
- (v) where our Directors reasonably request for the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (vi) our Company has appointed Guoyuan Capital (Hong Kong) Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage existing and potential conflict of interest, and to protect minority Shareholders’ interests after the [REDACTED].