
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On July 29, 2015, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin) entered into the Original Acting-in-concert Agreement, pursuant to which our Ultimate Controlling Shareholders have acted in concert by aligning their votes at the board meetings and shareholders' meetings of Netjoy Network. For further details, see "History, Reorganization and Corporate Structure — Corporate Development — Netjoy Network — Acquisition by our Ultimate Controlling Shareholders and early development."

On March 30, 2020, the AIC Parties (i.e. our Ultimate Controlling Shareholders, their respective Offshore Holding Companies and the Direct Holding SPVs of their respective Family Trusts) entered into the Acting-in-concert Agreement, pursuant to which the AIC Parties have acknowledged and agreed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, communicate thoroughly and act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of our Group (where applicable) until the termination of the Acting-in-concert Agreement in accordance with the provisions therein. For further details, see "History, Reorganization and Corporate Structure — Reorganization — Acting in Concert Arrangement."

Immediately upon completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), our Ultimate Controlling Shareholders (as the economic settlors and the protectors of their respective Family Trusts), through their respective Offshore Holding Companies (as the settlors of their respective Family Trusts) and the Direct Holding SPVs of their respective Family Trusts, collectively as the AIC Parties, will be entitled to exercise the voting rights attaching to approximately 30.19% of the enlarged total issued share capital of our Company. Therefore, the AIC Parties are a group of Controlling Shareholders of our Company for the purpose of the Listing Rules.

The abovementioned Family Trusts are revocable and discretionary trusts established by our Ultimate Controlling Shareholders (as the economic settlors and the protectors) together with their Offshore Holding Companies (as the settlors) for succession and estate planning purpose, for which PraxisIFM Nerine Fiduciaries (Hong Kong) Limited, an independent professional trust administrator, acts as the initial trustee. The structure of these Family Trusts is commonly adopted by the Trustee, where the Intermediary Holding SPVs (i.e. Derun International, FSS Investment and SpringRain Planning) are set up by the Trustee to hold interest in the Direct Holding SPVs (i.e. Wang SPV, Xu SPV and Qin SPV), which in turn directly hold the Shares on behalf of these Family Trusts. The Trustee and the relevant Intermediary Holding SPVs mainly serve for administrative purposes and shall not be regarded as members of our Controlling Shareholders in the sense that:

- pursuant to the trust deed of the relevant Family Trust, the relevant settlor (i.e. the Offshore Holding Company wholly owned by each of our Ultimate Controlling Shareholders) is entitled to revoke the Family Trust, remove the Trustee and appoint a new trustee to the Family Trust at its sole discretion, and the Trustee can only exercise the investment power as to the trust properties under the Family Trust (including the disposal of the Shares beneficially owned by the Family Trust) in accordance with the directions of the settlor;
- each of our Ultimate Controlling Shareholders acts as the sole director of the relevant Direct Holding SPV and therefore is able to directly exercise and has the immediate control over the voting rights attaching to the Shares held by the Direct Holding SPV;
- the relevant Intermediary Holding SPV was set up by the Trustee merely for the purpose of holding interest in the Direct Holding SPV with a view to facilitating the general management of the Family Trust, where the right to appoint or remove its director rests with its sole shareholder (i.e. the Trustee) or its director (i.e. PIFM One Limited, an Independent Third Party nominated by the Trustee) instead of our Ultimate Controlling Shareholders; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- unlike the relevant Direct Holding SPV, which is the trust property under the Family Trusts administered and controlled by each of our Ultimate Controlling Shareholders in the capacity as the sole director thereof and via the investment powers reserved upon them through the settlor, the relevant Intermediary Holding SPV is not a trust property injected by the settlor into the Family Trust.

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them is interested in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business, which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after Listing.

Operational Independence

We are in possession of all relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Our Group have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

The Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. Both of Mr. Wang and Mr. Xu are executive Directors and Mr. Qin is a non-executive Director. All the other Directors and other members of our senior management are independent from our Controlling Shareholders. The daily operational and management decisions of our Group are made collectively by our Board and our senior management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis.

Each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract, arrangement or any other proposal in which he or she or any of his or her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe our independent non-executive Directors individually and collectively have possessed the depth and breadth of experience which will enable them to bring independent and impartial judgment to the decision-making process of our Board. Our independent

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform their roles in our Company in managing our business independently.

Financial Independence

We have established an independent accounting and finance department and an independent internal control system. Our accounting and finance functions are independent of our Controlling Shareholders, and we can make financial decisions independently. In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates.

As of June 30, 2020, we had a number of outstanding loans with principal amounts and interests thereon of RMB80.9 million guaranteed by our Controlling Shareholders and their respective close associates. See “Financial Information — Related Party Transactions” and Note 25 of the Accountants’ Report as set out in Appendix I to this prospectus for more details. All such guarantees provided for our benefit by our Controlling Shareholders and their respective close associates will be fully discharged prior to the Listing.

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

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

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders (collectively, the “**Covenantors**” and each, a “**Covenantor**”) entered into a deed of non-competition (the “**Deed of Non-competition**”) in favor of our Company on November 17, 2020, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company that, at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that his/its close associates (other than members of our Group) will not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC, Hong Kong and other territories where our Company carries out business which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the “**Restricted Business**”).

The above restrictions do not prohibit any of the Covenantors and his/its close associates (excluding members of our Group) from:

- (a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interest in our Group from time to time;
- (b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

shares of such entity provided that (i) such investment or interest does not grant any of the Covenantors and their respective close associates any right to control the composition of the board of directors or managers of such entity, (ii) none of the Covenantors or their respective close associates control the board of directors or managers of such entity, and (iii) such investment or interest does not grant any of the Covenantors and their respective close associates any right to participate directly or indirectly in such entity; or

- (c) participating in any New Business Opportunities (as defined below) if our Group has declined the New Business Opportunities or no written notice has been received from our Group of our decision to pursue or decline the New Business Opportunity upon expiration of the Offer Notice Period that we shall be deemed to have declined the New Business Opportunity as set out below.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business (“**New Business Opportunities**” and each, a “**New Business Opportunity**”) to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- (a) As soon as he/it becomes aware of any New Business Opportunity, give written notice (the “**Offer Notice**”) to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to him/it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to him/it).
- (b) Our Company shall, as soon as practicable and in any case within 30 Business Days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify the relevant Covenantor in writing of its intention to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering him/it, proposing or presenting the New Business Opportunity and the relevant Covenantor shall use his/its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.
- (c) Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.
- (d) The relevant Covenantor may, at his/its absolute discretion, consider extending the Offer Notice Period as appropriate.
- (e) The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
 - (i) he/it has received a written notice from us declining the New Business Opportunity; or
 - (ii) he/it has not received any written notice from us of our intention to pursue or decline the New Business Opportunity within 30 Business Days from our receipt of the Offer Notice, or if he/it has extended the Offer Notice Period, within such other period as agreed by him/it, in which case our Company shall be deemed to have declined the New Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, he/it shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their close associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in announcements to the public or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (a) the Covenantors shall provide, and shall procure their close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition;
- (b) without prejudicing the generality of paragraph (a) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Deed of Non-competition;
- (c) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of announcements to the public; and
- (d) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantors or any of their respective close associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcements to the public.

For the purposes of the above, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise control or be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our minority Shareholders. We will adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- where a Shareholders' meeting is held for considering proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- any transaction between (or proposed to be made between) our Group and the connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- our independent non-executive Directors are independent of our Controlling Shareholders and are appointed in accordance with the requirements under the Listing Rules to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions;
- our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our other Shareholders;
- our Company has appointed Haitong International 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
- we have established an Audit Committee, a Remuneration Committee and a Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The majority of the members of the aforementioned committees are independent non-executive Directors.

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 the minority Shareholders' rights after Listing.