

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Chen, Mr. Huang and Mr. Li will indirectly hold [REDACTED]%, [REDACTED]% and [REDACTED]%, through Mr. Chen's controlled limited partnerships, namely Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei, and their respective wholly-owned intermediary entities, namely Zhenghao Global, Honghan Worldwide and Double Winner, of the issued share capital of our Company respectively.

Mr. Chen, Mr. Huang and Mr. Li are the founders of our Group. They, as our executive Directors, are primarily responsible for the overall management, business operation, finance, strategic planning and business direction of our Group. During the Track Record Period, all of them had been directors of Xuan Wu and will remain as Directors at the time of the [REDACTED]. On 13 July 2015, Mr. Chen, Mr. Huang and Mr. Li entered into an acting in concert agreement from the date of the agreement until three years after the shares of Xuan Wu were listed on the NEEQ. Upon the expiration of the said acting in concert agreement, Mr. Chen, Mr. Huang and Mr. Li entered into a new acting in concert agreement on 11 January 2019 for a period of three years from the date of the agreement, pursuant to which they confirmed that they had been acting in such manner since the shares of Xuan Wu were listed on the NEEQ and agreed that they would act in concert at meeting of shareholders or board of directors of Xuan Wu or in other major decisions of Xuan Wu, including:

- (1) prior to putting forward a proposal to the shareholders' meeting or the meeting of the board of directors of Xuan Wu, they shall reach a unanimous consensus on the proposal;
- (2) they shall reach a unanimous consensus among themselves and vote unanimously on the relevant resolutions at any shareholders' or directors' meeting of Xuan Wu;
- (3) if they cannot reach a unanimous opinion, they shall act unanimously in accordance with the opinion of Mr. Chen, provided that the relevant proposal or resolution would not harm the interests of Mr. Huang and Mr. Li only, nor would it benefit Mr. Chen only.

In preparation for the [REDACTED], on 17 August 2021, Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide and Double Winner entered into a new acting in concert agreement on substantially the same terms with respect to our Group which replaced the previous acting in concert agreement. In accordance with the new acting in concert agreement, they would continue to act in concert with each other with respect to our Group after the [REDACTED].

As at the Latest Practicable Date, Mr. Chen was the sole general partner of each of Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei, our ESOP Platforms. As such, he controlled the exercise of the voting rights attached to a total of 4,500,000 Shares held by Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei.

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Mr. Chen, Mr. Huang and Mr. Li, through Mr. Chen's controlled limited partnerships, namely Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei, and their respective wholly-owned investment holding companies, Zhenghao Global, Honghan Worldwide and Double Winner, will be entitled to indirectly exercise voting rights of more than 30.0% of the issued share capital of our Company following completion of the [REDACTED] and the [REDACTED]. As a result of the acting in concert agreements mentioned above, each of Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide, Double Winner, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei is our Controlling Shareholder.

As confirmed by Mr. Chen, Mr. Huang and Mr. Li, there was no disagreement among them when considering the replacement of the previous acting in concert agreement by the present acting in concert agreement.

Save as disclosed above, there is no other person who will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be allotted and issued upon the exercise of the [REDACTED]), be directly or indirectly interested in 30.0% or more of the Shares then in issue.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and/or their respective close associates after the [REDACTED], based on the following factors:

Management independence

Our Board comprises of four executive Directors, one non-executive Director, and [three] independent non-executive Directors. Decisions of our Board are made collectively, and our management and operational decisions are delegated to a team of four executive Directors and four members of senior management who are not Directors, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged and will therefore be able to make business decisions that are in the best interests of our Group. The balance of power and authority is ensured by the operation of our Board and senior management. For details of the qualifications and experience of our executive Directors and senior management, please refer to the section headed "Directors and Senior Management" in this [REDACTED]. Except for Mr. Chen, Mr. Huang and Mr. Li themselves, all the other members of our Board and our senior management are independent of our Controlling Shareholders.

Each of our Directors are aware of his or her fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interests of our Company, and not permit any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have a depth and breadth of experience which will enable them to bring sound independent and impartial judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the

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requirements of the Listing Rules to ensure there is no actual or potential conflict of interest with our Controlling Shareholders.

In addition, the Directors shall not vote or be counted in the quorum on any board resolution of the Board in respect of any contract, arrangement or proposal in which he or she or any of his or her close associates has a material interest, subject to certain exceptions. As such, if the Board is asked to consider transactions or matters where the counterparty involved is our Controlling Shareholders or their respective associates, Mr. Chen, Mr. Huang and Mr. Li will not vote or be counted in the quorum at the relevant Board meetings if any of their interest is material, and there will be sufficient members on our Board (including our one other executive Director, one non-executive Director and [three] independent non-executive Directors) with the requisite qualifications, experience and impartiality to discharge their duties to our Company as directors. We have also adopted 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. For details, please refer to the paragraph headed "Other corporate governance measures" in this section below.

Based on the above, our Directors are satisfied that our Board, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational independence

We operate independently from our Controlling Shareholders and/or their respective close associates. Our Company (through our subsidiaries and our Consolidated Affiliated Entities) holds all relevant licences and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders and/or their respective close associates. We also have independent access to our clients and subcontractors and an independent management team to operate our business.

Given that (i) we have established our own organisational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities; and (ii) our Group does not share our operational resources, such as marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholders and/or their close associates from the operational perspective.

Financial independence

Our Group has an independent financial reporting system and makes 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. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

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As at 31 December 2019, 2020 and 2021, we had bank borrowings amounting to RMB39.9 million, RMB39.5 million and RMB58.5 million, respectively. All bank borrowings were guaranteed by, inter alia, certain Shareholders including our Controlling Shareholders. For details on the guarantee provided by certain Shareholders, please refer to Note 33(d) Financial guarantees provided from shareholders as set out in the Accountant's Report in Appendix I to this [REDACTED]. Such guarantee provided by Shareholders will be replaced by corporate guarantee before or upon the [REDACTED].

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company, its subsidiaries and the Consolidated Affiliated Entities, our Controlling Shareholders and Directors confirm that none of them has 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.

OTHER CORPORATE GOVERNANCE MEASURES

In accordance with the Listing Rules, our Board will consist of not less than three independent non-executive Directors, comprising at least one-third of our Board, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process. For details about our independent non-executive Directors, please refer to the paragraph headed "Directors and Senior Management — Independent non-executive Directors" in this [REDACTED]. We believe our independent non-executive Directors are of sufficient caliber, knowledge and experience and will be able to provide an impartial and independent advice to our Shareholders.

We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) our Articles of Association provide that a Director who is in any way materially interested in an actual or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the earliest meeting of the Board at which he or she may practically do so;
- (b) our Articles of Association also provide that, subject to certain exceptions, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which such Director or any of his or her close associates have a material interest, and if such Director shall do so, his or her vote shall not be counted nor shall such Director be counted in the quorum for that resolution;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into

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connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;

- (d) if the independent non-executive Directors are requested to review any conflicts of interest circumstances between the Group on the one hand and our Controlling Shareholders and/or the Directors on the other hand, our Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information, and the Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;
- (e) 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;
- (f) we have established an audit committee, a remuneration committee and a nomination committee to assess and control, and ensure our Board is appropriately advised, as to matters relating to, among other things, our relationship with our external auditors and internal audit, the remuneration of our Directors and our senior management, and the composition of our Board. Our audit committee comprises independent non-executive Directors and each of our remuneration committee and nomination committee comprises a majority of independent non-executive Directors. In addition, the chairman of each of our audit and remuneration committees is an independent non-executive Director. For details of our committees and their composition, please refer to the paragraph headed "Directors and Senior Management — Board committees" in this [REDACTED]; and
- (g) we have appointed Altus Capital Limited as our compliance adviser, which will provide advice and guidance to us 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 there are sufficient and effective measures to manage conflicts of interest and that we are able to operate independently of our Controlling Shareholders.