

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Zhao, one of our founders, chairperson of the Board, executive Director and chief executive officer, through his wholly-owned offshore holding company, Sandy Mining Limited, directly held [REDACTED] Share, representing the entire issued share capital of our Company. Immediately upon completion of the [REDACTED], the Loan Consideration Capitalization and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon exercise of any options granted or to be granted under the Share Option Scheme), Sandy Mining Limited will directly hold [REDACTED] Shares, representing [REDACTED]% of the total issued share capital of our Company.

Thus, Sandy Mining Limited will continue to control more than 30% of the voting power at general meetings of our Company immediately following completion of the [REDACTED], the Loan Consideration Capitalization and [REDACTED] (assuming that the [REDACTED] is not exercised). Therefore, each of Sandy Mining Limited and Mr. Zhao will be our Controlling Shareholders for the purpose of the Listing Rules.

COMPETING INTERESTS

Our Group did not have any business dealings with companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders.

None of our Controlling Shareholders, our Directors or their respective close associates has interests in any business, apart from the business operated by members of our Group, that competes, or is likely to compete, directly or indirectly, with the business of our Group, and would require 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 independent of our Controlling Shareholders and their respective close associates after the [REDACTED].

Management independence

Our Board comprises two executive Directors and four independent non-executive Directors. Our Directors and members of the senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. For more details, please see “Directors and Senior Management”. As at the Latest Practicable Date, no executive Director has any business which competes or is likely to compete, either directly or indirectly, with our business.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/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 Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on

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any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates have a material interest and shall not be counted in the quorum present at the relevant Board meeting. Our Group has established our own management, finance, human resources, administration, procurement, sales and marketing and quality control departments which are responsible for the daily operations of our Group. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board. For details, please see “Directors and Senior Management”.

Although our controlling shareholder, Mr. Zhao, will maintain a controlling interest in our Company upon completion of the [REDACTED], the day-to-day management and daily operations of our Group will be the responsibility of all our experienced senior management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business operations and management and technical support on a standalone basis.

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

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after [REDACTED], we have full rights to make all decisions regarding, and carry out, our business operations independently. We have established our own organizational structure and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates to carry on our business and we have sufficient operational capacity in terms of capital equipment and employees to operate and manage our business independently. We do not rely on our Controlling Shareholders or their close associates for our operations. We have independent access to our customers and suppliers and an independent management team (including our Directors and senior management) to handle our daily operations. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after [REDACTED].

Financial independence

Our Group has our own internal control, accounting and financial management system and function, independent treasury functions for cash receipts and payment and our Group makes financial decisions according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, we financed our operations through a combination of bank borrowings or financing, internally generated funds and advances from our Controlling Shareholders and related parties. We expect that, upon completion of the [REDACTED], our operations will be financed mainly by the [REDACTED] from the [REDACTED], internally generated funds and borrowings or financing from financial institutions.

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As at April 30, 2022, being the most recent practicable date for the preparation of the indebtedness statement in this document, the amounts due to Shareholders and amounts due to related parties amounted to, in aggregate, approximately RMB73.1 million and nil, respectively. On May 27, 2021, the amounts previously due to Mr. Zhao Ming and Mr. Zhao Changshan by our Group had been novated to Mr. Zhao and the then total amount due to Mr. Zhao was expected to be settled by way of capitalization. For details, please see “History, Reorganization and Corporate Structure — Reorganization — Loan Consideration Capitalization”. Therefore, it is expected that no amounts will be due to the Shareholders or related parties upon [REDACTED].

Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their close associates.

Our Directors confirm that there were no other pledges and guarantees provided by our Controlling Shareholders and their respective close associates regarding our Group’s borrowings which have not been waived, fully released or discharged as at April 30, 2022, being the most recent practicable date for the preparation of the indebtedness statement in this document.

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.

CORPORATE GOVERNANCE MEASURES

Our Company [has adopted] the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and will comply with the code provisions therein. The Corporate Governance Code sets out principles of good corporate governance in relation to, among other things, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, the responsibilities and remuneration of directors and communications with shareholders.

Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, which provides, among other things, prohibitions on directors’ dealings in securities and protection of minority shareholders’ rights.

Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) that can facilitate the exercise of independent judgment. We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere

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in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our [REDACTED]. For further details of our independent non-executive Directors, please see “Directors and Senior Management — Directors — Independent non-executive Directors”;

- in the event that any potential conflict of interest arises, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) shall be excluded from our Board deliberation process and abstain from voting and shall not be counted towards the quorum in respect of the relevant resolution(s) at such Board meeting;
- in the event any potential conflict of interest arises at the shareholders’ level, our Controlling Shareholders shall abstain from voting in the Shareholders’ meeting of our Company with respect to the relevant resolution(s);
- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to our Company by our Controlling Shareholders were not taken up) either through our Company’s annual report or by way of announcements;
- pursuant to the Corporate Governance Code set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s costs;
- any proposed transaction between us and connected persons will be subject to Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of such rules; and
- we have appointed Lego Corporate Finance Limited as our compliance advisor, 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 the directors’ duties and corporate governance.