
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalisation Issue and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], Mr. Hu will be in control of [REDACTED]% of the issued share capital of our Company through (i) Bear Family, an investment holding company wholly owned by Mr. Hu; (ii) Little Bear, an investment holding company which Mr. Hu holds the entire voting rights; (iii) LX Brothers, our Company’s offshore employee incentive platform for LX Brothers Employee Incentive Plan in which the entire voting rights were exercised under the instruction of Mr. Hu; and (iv) Beauty Bear, a platform holding Shares for Beauty Bear Employee Incentive Plan in which the entire voting rights were exercised under the instruction of Mr. Hu. Accordingly, Mr. Hu, Bear Family, Little Bear, LX Brothers and Beauty Bear constitute a group of our Controlling Shareholders under the Listing Rules.

Mr. Hu is our founder, chairman of our Board, our chief executive officer and our executive Director. Further details of his background are set out in the section headed “Directors and Senior Management – Board of Directors – Executive Directors” of this document.

DELINEATION OF BUSINESS

Apart from our Group’s business, our Ultimate Controlling Shareholder has non-controlling interests in certain companies which are principally engaged in the business of production and sale of electrical appliances and related connectors and moulds for production of electronic appliances, which are not IT devices, and provision of agricultural SaaS. Taking into account we are principally engaged in the provision of device subscription services, IT technical subscription services, device management SaaS and device recycling business, our Directors are therefore of the view that there is no competition between the businesses of our Group and our Controlling Shareholders and their respective close associates. During the Track Record Period, our Group did not have any transactions with the companies our Ultimate Controlling Shareholder having non-controlling interests.

As of the Latest Practicable Date, none of our Controlling Shareholders, his/its close associates and our Directors had any interest in any business which competes or is likely to compete, directly or indirectly, with our businesses which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and his/its close associates after the [REDACTED] for the following reasons:

Management Independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Hu is our executive Director and also our Ultimate Controlling Shareholder. Other than Mr. Hu, none of our Directors is holding any position in our Controlling Shareholders and their close associates.

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Each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his 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 the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, other than Mr. Hu, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholders. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. See “– Corporate Governance Measures” for further details.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the [REDACTED].

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after [REDACTED], we have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses, qualifications and intellectual property necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders and their close associates. We have access to third parties independently from and not connected to our Controlling Shareholders and their close associates for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, and reporting functions of our Group, independent from our Controlling Shareholders and their close associates. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. We maintain bank accounts with banks independently and do not share any bank accounts with our Controlling Shareholder and their respective associates. We have adopted a set of internal control procedures for cash receipts and payment and have independent access to third-party financing.

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As of Latest Practicable Date, we did not have amount due to/from our Controlling Shareholders and their close associates. All loans and guarantees due to or from our Controlling Shareholders and their close associates will be fully settled or released before [REDACTED].

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

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their respective close associates:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his or her associates have a material interest, unless attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of our independent non-executive Directors;
- (c) we are committed that our Board should include in balanced composition of executive Directors, non-executive Director and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this document;
- (d) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules; and
- (e) we have appointed Haitong International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.