
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), First Oriental will be interested in 75% of the issued Shares of our Company. As at the Latest Practicable Date, First Oriental was wholly-owned by TopSun which was in turn was owned as to 70% by Mr. Xu and 30% by Ms. Chen, the spouse of Mr. Xu. As Mr. Xu and Ms. Chen hold their interests in our Company through TopSun and First Oriental, Mr. Xu and Ms. Chen together with TopSun and First Oriental shall be regarded as a group of Controlling Shareholders under the Listing Rules.

OTHER BUSINESS INTERESTS OF OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, other than their interests in our Group, Mr. Xu and Ms. Chen were interested in the following businesses:

Buyang Group

Buyang PRC is a company incorporated in the PRC and owned as to 80% by Mr. Xu and 20% by Ms. Chen. Buyang Group, i.e. Buyang PRC and its subsidiaries, engages in the following businesses:

- (i) Door manufacturing and design, sales and installation of door, window and ancillary products
- (ii) Provision of logistic services
- (iii) Optical instruments and stove manufacturing and sales
- (iv) Property development, agency, sales and rental
- (v) Distribution and retail sales of shoes

Mr. Xu and/or Ms. Chen also holds a direct minority interest in certain non-wholly owned subsidiaries of Buyang PRC.

In addition, Buyang PRC holds a minority interest in certain other companies in the PRC principally engaged in (i) door manufacturing and design, sales, and installation of door, window and ancillary products; (ii) banking business; and (iii) property development, agency, sales and rental.

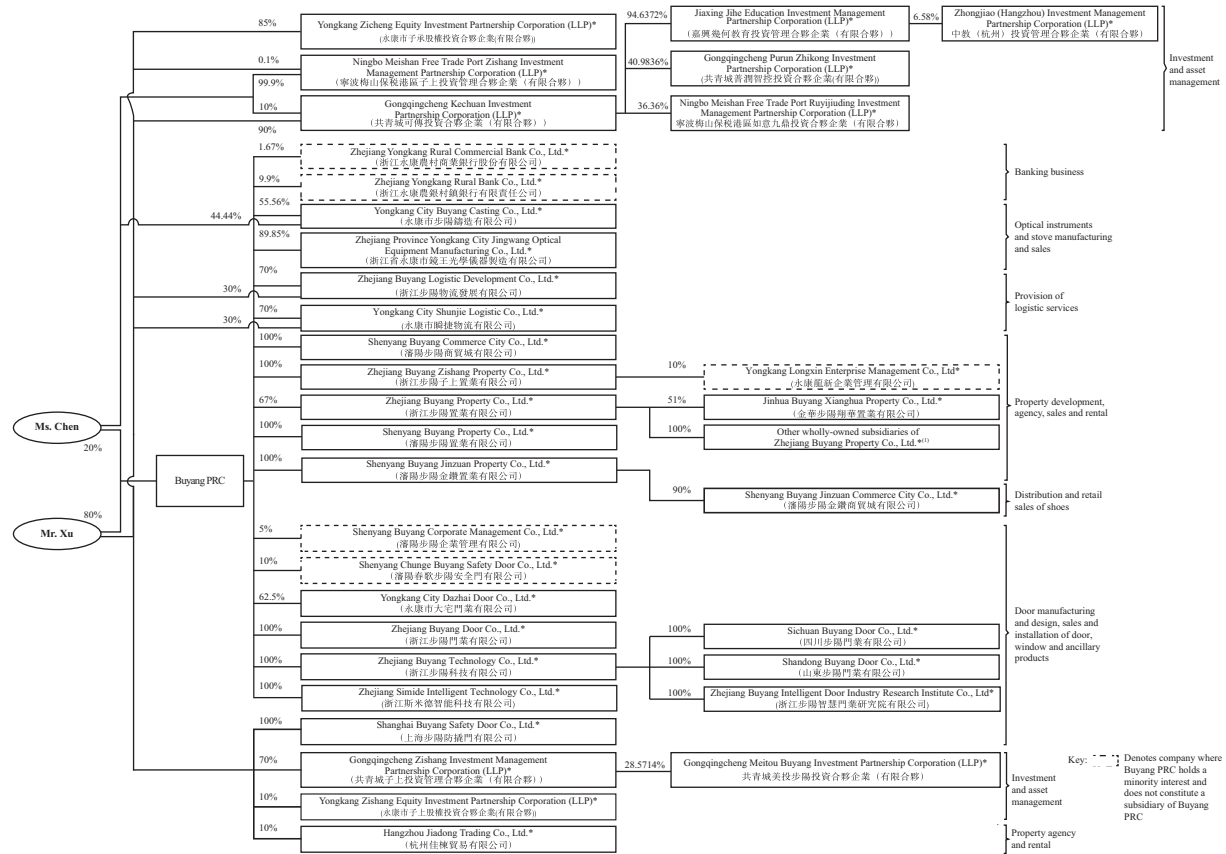
During the Track Record Period, Buyang PRC has not provided any logistic services to the Company.

Other Business Interests

In addition, Mr. Xu and/or Ms. Chen are also directly interested in various companies incorporated in the PRC which engage in the businesses of (i) door manufacturing and design, sales, and installation of door, window and ancillary products; (ii) investment and asset management; and (iii) property agency and rental.

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The chart below sets forth the shareholding interests of Mr. Xu and Ms. Chen in the aforementioned business interests (the “Other Businesses”):



1. Other wholly-owned subsidiaries of Zhejiang Buyang Property Co., Ltd.* include Ganzhou Buyang Property Co., Ltd.* (赣州步阳置业有限公司), Shanghai Buyang Property Co., Ltd.* (上海步阳置业有限公司), Quzhou Buyang Property Co., Ltd.* (衢州步阳置业有限公司), Lishui Buyang Property Co., Ltd.* (丽水步阳置业有限公司), Dongyang Buyang Property Co., Ltd.* (东阳步阳置业有限公司), Jiaoshan Buyang Property Co., Ltd.* (江山步阳置业有限公司) and Yongkang Buyang Zicheng Property Co., Ltd.* (永康步阳子承置业有限公司).

The Other Businesses are not included in our Group primarily because they are substantially different from the business focus of our Group, being aluminum alloy automobile wheel manufacturing, and do not compete or likely to compete with our Group. In particular, save for (i) the Workshop and Office Lease Agreement between Buyang PRC and Buyang Wheel as disclosed in the section headed “Connected Transactions” in this prospectus; and (ii) the historic sharing of gas and electricity supplies during the Track Record Period as further described in the paragraph headed “Operational Independence” below, there were no transaction and/or business dealing between the Other Businesses and our Group during the Track Record Period, and, to the best knowledge of Mr. Xu and Ms. Chen, save for our gas supplier, being our fourth largest supplier for each of the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, none of our five largest suppliers and five largest customers during each of the financial years or period during the Track Record Period is a supplier or customer of the Other Businesses.

As confirmed by Mr. Xu and Ms. Chen, they currently have no intention to inject the Other Businesses into our Group.

RULE 8.10(1) OF THE LISTING RULES

Based on the forgoing, our Controlling Shareholders confirmed that they do not have an interest in any business apart from our Group which competes or likely to compete, either directly or indirectly, with our

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Group's business that would require disclosure pursuant to Rule 8.10(1) of the Listing Rules throughout the Track Record Period and up to the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

Management Independence

The management of our Group rests with our Board, which consists of three executive Directors, two non-executive Directors and three independent non-executive Directors, together with our senior management. The table below sets forth details of overlapping managerial and/or supervision roles of our management in the Other Businesses:

	<u>Role in our Group</u>	<u>Role in the Other Businesses</u>
Mr. Xu	Non-executive Director and chairman of the Board	<ul style="list-style-type: none"> • Chairman of the board of Buyang PRC • Director of Shenyang Buyang Jinzuan Property Co., Ltd.* • Chairman of the board of Shenyang Buyang Property Co., Ltd.* • Director of Zhejiang Buyang Technology Co., Ltd.* • Chairman of the board of Shenyang Buyang Commerce City Co., Ltd.* • Director and general manager of Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.* • Director and general manager of Zhejiang Buyang Logistic Development Co., Ltd.* • Director and general manager of Yongkang City Shunjie Logistic Co., Ltd.* • Director and general manager of Zhejiang Buyang Property Co., Ltd.* • Supervisor of Yongkang City Dazhai Door Co., Ltd.* • Director of Zhejiang Buyang Intelligent Door Industry Research Institute Co., Ltd.* • Director of Shanghai Buyang Safety Door Co., Ltd.* • Supervisor of Hangzhou Jiadong Trading Co., Ltd.* • Director of Zhejiang Buyang Zishang Property Co., Ltd.* • Director and general manager of Jinhua Buyang Xianghua Property Co., Ltd.* • Chief representative of Ganzhou Buyang Property Co., Ltd.* • Director of Shanghai Buyang Property Co., Ltd.* • Chairman of the board of Shenyang Buyang Jinzuan Commerce City Co., Ltd.*
Ms. Xu	Executive Director and deputy chairlady of the Board	<ul style="list-style-type: none"> • General manager of Buyang PRC • General manager of Zhejiang Buyang Technology Co., Ltd.* • Director of Sichuan Buyang Door Co., Ltd.* • Director of Shandong Buyang Door Co., Ltd.* • Director and general manager of Zhejiang Simide Intelligent Technology Co., Ltd.* • Supervisor of Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.*

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	<u>Role in our Group</u>	<u>Role in the Other Businesses</u>
Mr. Ying Yonghui	Chief executive officer, general manager and executive Director	None
Mr. Zhu Ning	Non-executive Director	<ul style="list-style-type: none"> • Deputy general manager and director of general manager office of Buyang PRC • Director of Zhejiang Buyang Door Co., Ltd.*
Ms. Hu Huijuan	Executive Director and international sales manager	None
Mr. Fu Yi	Independent non-executive Director	None
Mr. Yeung Man Simon	Independent non-executive Director	None
Mr. Chen Jingeng	Independent non-executive Director	None
Mr. Xu Yongsheng	Deputy general manager cum domestic sales manager	None
Mr. Huang Wei	Deputy general manager cum head of technical department	None
Ms. Hu Meijuan	Financial controller	None

Notwithstanding there exists overlapping management between our Group and the Other Businesses, our Directors believe that we are able to manage our business independently from our Controlling Shareholders based on the following reasons:

- (a) only three out of the eight members of our Board, being less than half of our Board, possess managerial or supervision roles in the Other Businesses and with three independent non-executive Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (b) among the three Directors who possess managerial and/or supervision roles in the Other Businesses, two of them are non-executive Directors who will not involve in the day-to-day management of our Group;
- (c) none of our chief executive officer and senior management personnel, who are the persons most involved in the day-to-day management of our Group, possess any role in the Other Businesses;
- (d) 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 Controlling Shareholders or their associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted as the quorum; and

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- (e) each of our Directors, including Mr. Xu, our Controlling Shareholder, is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests.

Notwithstanding Ms. Xu holds multiple management roles in the Other Businesses, as advised and confirmed by Ms. Xu, Ms. Xu will be able to devote sufficient time to act as our executive Director and deputy chairlady of the Board based on the following:

- engagement as director of each of Sichuan Buyang Door Co., Ltd.*, Shandong Buyang Door Co., Ltd.* and Zhejiang Simide Intelligent Technology Co., Ltd.*, and as supervisor of Zhejiang Province Yongkang City Jingwang Optical Equipment Manufacturing Co., Ltd.* does not require her full-time involvement and participation in the daily operations and she is primarily responsible for overseeing the management and strategic development of these companies. The daily management and operations of these companies are carried out by the senior management team with members that are able to devote substantially all of their time to the respective businesses;
- Ms. Xu's engagement as the general manager of each of Buyang PRC, Zhejiang Buyang Technology Co., Ltd.* and Zhejiang Simide Intelligent Technology Co., Ltd.* does not always require her full-time involvement, and she is supported by other managers and senior staff working on full-time basis for the daily business;
- with her background and experience, Ms. Xu is fully aware of the responsibilities and expected time involvements for an executive director. Ms. Xu has not found difficulties in devoting her time to multiple companies and she is confident that with her experience in taking on multiple corporate roles, she will be able to discharge her duties to our Company; and
- Ms. Xu attended and will continue to attend meetings from time to time to review and discuss with senior management in relation to our Group's business.

Based on the foregoing, our Company does not have reasons to believe that the various positions currently held by Ms. Xu will result in Ms. Xu not having sufficient time to act as an executive Director or not properly discharging her duties as an executive Director.

Nevertheless, pursuant to the Corporate Governance Code, our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to our Company, and whether each Director is spending sufficient time in performing his responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, and if required under the Corporate Governance Code, explain why such individual who is considered to be holding a number of management roles would still be able to devote sufficient time to our Board.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for accounting and treasury matters of our Group. The finance department is independent from our Controlling Shareholders and their close associates and we have established independent audit system, accounting system and financial management system. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds.

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During the Track Record Period, our Group had obtained certain financial assistances from our Controlling Shareholders, Buyang Group and Ms. Xu, our executive Director, deputy chairlady of the Board and daughter of Mr. Xu and Ms. Chen (our Controlling Shareholders), and the outstanding balance (excluding outstanding balances that are trade nature and payable for deemed distribution arising from Reorganization) as at December 31, 2019, 2020 and 2021 and May 31, 2022 are as follows:

	<u>As at December 31,</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>May 31,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2022</u>
Buyang Group	11,067	—	—	—
First Oriental	—	1,187	1,153	1,197
Ms. Xu	1,050	—	—	—

None of the bank loans of our Group during the Track Record Period were guaranteed by our Controlling Shareholders or their respective close associates nor secured by any of their assets. As at the Latest Practicable Date, all the advances from First Oriental has been settled by way of loan capitalization and, other than trade nature outstanding balances, our Group had no outstanding balance of loan or amount due to any of our Controlling Shareholders or their respective close associates. For details of the loan capitalization, please refer to the paragraph headed “History, Reorganization and Corporate Structure — Reorganization — Step 10: Loan capitalization”.

Based on the aforementioned, our Directors believe that we are able to be financially independent from our Controlling Shareholders after the Listing.

Operational Independence

During the Track Record Period, we rent the Leased Property where our production and office facilities are located from Buyang PRC and we expected to continue to rent and use the Leased Property after the Listing. We have entered into the Workshop and Office Lease Agreement with Buyang PRC in respect of such premises for a term of twenty years from January 1, 2015 to December 31, 2034. For more details of the Workshop and Office Lease Agreement, please refer to “Connected Transactions — Subsisting Transaction Entered Into Before the Listing Which Would Otherwise Constitute Connected Transaction — Workshop and Office Lease Agreement” in this prospectus.

In addition, during the Track Record Period, we shared the gas and electricity supplies with Buyang PRC where Buyang PRC arranged the relevant supplies from the respective utility service providers and we reimburse Buyang PRC based on our actual usage and the unit price charged by the relevant utility service provider. We have arranged gas supplies directly from the utility service provider and to settle the relevant charges directly with such service provider since May 2020 while independent electricity supply is expected to be available prior to the Listing.

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Our Directors believe that renting the Leased Property where our production and office facilities are located from Buyang PRC, an associate of our Controlling Shareholders, will not undermine our ability to operate independently due to the following reasons:

- (a) the term of the Workshop and Office Lease Agreement only expires on December 31, 2034 and there will be sufficient time for our Group to negotiate with Buyang PRC and/or arrange re-location of our production and office facilities in advance of the expiration of the Workshop and Office Lease Agreement;
- (b) Buyang PRC is not allowed to unilaterally early terminate the Workshop and Office Lease Agreement other than due to the cessation of business of Buyang Wheel rendering it unable to continue to perform the Workshop and Office Lease Agreement or the occurrence of force majeure event rendering Buyang PRC or Buyang Wheel incapable of continuing to perform the Workshop and Office Lease Agreement;
- (c) pursuant to the *Contract Law of the PRC* (《中華人民共和國合同法》), should Buyang PRC dispose the Leased Property during the lease term, the validity of the Workshop and Office Lease Agreement will not be affected and the purchaser of the Leased Property is required to continue to lease the Leased Property to Buyang Wheel in accordance with the terms and conditions of the Workshop and Office Lease Agreement;
- (d) pursuant to the terms and conditions of the Workshop and Office Lease Agreement, Buyang PRC, as the landlord of the Leased Property is not allowed to interfere with our usage of the Leased Property during the term of the Workshop and Office Lease Agreement unless Buyang Wheel violates the laws, regulations or the terms of the Workshop and Office Lease Agreement; and
- (e) notwithstanding the electricity supply of our Group is arranged through Buyang PRC, such arrangement will be terminated prior to the Listing and we have arranged independent electricity supply which will be effective prior to the Listing.

Based on the foregoing and the following factors, our Directors believe that we are able to operate independently from our Controlling Shareholders after the Listing:

- (a) we have independent access to our customers and suppliers and save for (i) Buyang PRC being our third, third, fifth and fifth largest supplier for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 by virtue of the gas and electricity supplies arranged through Buyang PRC which has been or expected to be terminated prior to the Listing as discussed above; and (ii) our fourth largest supplier for each of the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, being the gas supplier of the Other Businesses and us, none of our five largest suppliers and customers during each of the financial years or period during the Track Record Period is a supplier or customer, as the case may be, of our Controlling Shareholders or their respective associates;
- (b) we hold all licenses that are material to the operation of our business;
- (c) we have our own operational structure and departments and we do not share such resources with our Controlling Shareholders and their respective associates or companies of the Other Businesses;

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- (d) save as disclosed in section headed “Connected Transactions”, there were no material business dealings between our Group and our Controlling Shareholders; and
- (e) we have established a set of internal control measures and policies to facilitate the effective operation of our business.