
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Over the course of our business history, Mr. Wang and Mr. Li have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries. On December 13, 2021, Mr. Wang and Mr. Li entered into a concert party agreement, pursuant to which Mr. Wang and Mr. Li confirmed, among other things, that since they became shareholders and/or beneficial owners of Ophyer Technology or any member of our Group, they have been cooperating and are parties acting in concert with respect to the matters of Ophyer Technology, and shall continue to do so until the termination of such concert party agreement, and that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of our Company and the relevant members of our Group.

Immediately following the completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the [REDACTED] Share Option Scheme, Wang BVI (wholly-owned by Mr. Wang), Li BVI (wholly-owned by Mr. Li), and the Wang Family Trust will, through Brainstorming Cafe (an investment holding company) be entitled to control the exercise of voting rights of approximately [REDACTED] of the enlarged issued share capital of our Company. Mr. Wang is the settlor and protector of the Wang Family Trust. Accordingly, Mr. Wang, Mr. Li, Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe will together constitute a group of Controlling Shareholders under the Listing Rules. For further background of Mr. Wang and Mr. Li, see the section headed “Directors and Senior Management” in this document.

Each of Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe is an investment holding company without any actual business. As of the Latest Practicable Date, each of them had only invested in our Company. None of our Controlling Shareholders is engaged or interested in any business which is, whether directly or indirectly, in competition or likely to compete with our business. To ensure that competition will not exist in the future, Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe [have entered] into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

In order to avoid any potential competition between Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe and our Group, each of Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe [has undertaken] to us in the Deed of Non-Competition that he/it will not, and

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will procure his/its close associates (other than members of our Group) not to, during the Restricted Period (as defined below) as set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among others, carry on, participate, be interested or involved in, undertake, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any business (other than our business) that directly or indirectly competes, or may compete, with (a) the existing business activities of our Group as set out in the section headed “Business” in this document and (b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, enter into, engage in or invest in (the “**Restricted Activity**”) (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), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or other recognised stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

“**Restricted Period**” shall mean the period commencing from the [REDACTED] and ending on the occurrence of the earliest of (i) the date on which Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe cease to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares cease to be [REDACTED] on the Main Board of the Stock Exchange; or (iii) the date on which Mr. Wang, Mr. Li, Wang BVI, Li BVI or Brainstorming Cafe beneficially own or become interested jointly or severally in the entire issued share capital of our Company.

Further, each of Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the

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Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the Competing Business Opportunity. Such factors may include, among other things, the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the Offer Notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

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The Deed of Non-Competition will lapse automatically if Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our Board comprises seven Directors, being four executive Directors and three independent non-executive Directors. Other than Mr. Wang and Mr. Li who are also our Controlling Shareholders, none of the other Directors, who forms the majority of our Board, is a Controlling Shareholder. Save for the fact that as of the Latest Practicable Date, (i) Mr. Wang, our executive Director, also acted as a director in Brainstorming Cafe and Wang BVI, and a general partner in Shanghai Wangyue, Shanghai Shiao, Shanghai Yuan Su Enterprise Management Center (Limited Partnership)* (上海遠蘇企業管理諮詢中心(有限合夥)) and Chuzhou Huina Enterprise Management Consulting Center Partnership (Limited Partnership)* (滁州惠納企業管理諮詢中心合夥企業(有限合夥)) (all being investment holding companies or limited partnerships which do not have actual business); (ii) Mr. Li, our executive Director, also acted as a director in Li BVI and a general partner in Shanghai Ziqing Enterprise Management Consulting Center (Limited Partnership)* (上海子慶企業管理諮詢中心(有限合夥)) (all being investment holding company or limited partnership which do not have actual business), there were no other overlapping directors nor senior management members in the companies or partnerships controlled by our Controlling Shareholders. Our day-to-day management and operational decisions are made by our executive Directors and senior management, most of whom have served us for more than three years and have substantive industry experience. See the section headed “Directors and Senior Management” in this document.

Each of our Directors is aware of his/her fiduciary duties as a director that require, among other things, that he/she acts for the benefit and in the interests of our Company and does not allow any conflict between his/her duties as our 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 Group and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum.

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We have 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. See the paragraph headed “— Corporate Governance Measures” in this section below for details.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the [REDACTED].

Operational Independence

We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers. We are in possession of all relevant licenses, trademarks and intellectual property right and an independent management team necessary carry on and to operate our business. To the best knowledge of our Directors, all of our suppliers are Independent Third Parties. Thus, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

In addition, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of the shareholders of our Consolidated Affiliated Entities, and our Group is entitled to enjoy all the economic benefits of our Consolidated Affiliated Entities and to exercise management control over the operations of our Consolidated Affiliated Entities. Pursuant to the Exclusive Option Agreements, Beijing Flowing Cloud (or its designated third party) has been granted an exclusive, unconditional and irrevocable option to purchase from the Registered Shareholders and Ophyer Technology all or part of the equity interest in and/or the relevant assets of the Consolidated Affiliated Entities at the lowest price permitted under the PRC laws and regulations.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

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As of the Latest Practicable Date, (i) we did not have any outstanding loans or borrowing from our Controlling Shareholders or any of his/its close associates; (ii) no borrowings were guaranteed or counter guaranteed by Mr. Wang, our Controlling Shareholder, and his close associate; and (iii) our unutilized banking facilities amounted to approximately RMB18.7 million. No loans or guarantees provided by, or granted to, any of the Controlling Shareholders or their respective close associates in favor of our Group will be outstanding as of the [REDACTED].

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the [REDACTED].

CONFIRMATION PURSUANT TO RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the businesses of our Group, 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.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (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/her close 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 conflict or potentially conflict with our interest and absent himself or herself from the meetings of the Board 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;

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- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the applicable Listing Rules;
- (d) our independent non-executive Directors will (i) review (at least annually) compliance with and the enforcement of undertakings under the Deed of Non-Competition; and (ii) review, consider and decide whether to take up New Business Opportunities under the Deed of Non-Competition;
- (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) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders, and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (g) our Company will disclose decisions (with basis) on matters on conflicts of interests reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;
- (h) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review referred to in paragraphs (d), (f) and (g) above;
- (i) our Controlling Shareholders will make an annual declaration of the compliance with the Deed of Non-Competition in the annual report of our Company;
- (j) each of our Controlling Shareholders has undertaken to us, and will procure his/its relevant close associates that he/it or any of his/its close associates will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- (k) we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report in compliance with the requirements of the Listing Rules;

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- (l) in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association;

- (m) we are committed that our Board should include a balanced composition of executive Directors 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 and external opinion to protect the interests of our public Shareholders. Biographical details of our independent non-executive Directors are set out in the paragraph headed “Directors and Senior Management — Board of Directors — Independent Non-executive Directors” in this document; and

- (n) we have appointed Shenwan Hongyuan Capital (H.K.) 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 directors’ duties and corporate governance.