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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Ms. Zhang, and her spouse, Mr. Shan are our founders and our executive Directors and are presumed to be acting in concert under the Takeovers Code, and are spouses. As at the Latest Practicable Date, Ms. Zhang beneficially owns approximately 47.0470% of our Shares through her wholly-owned company, Lvsetianye Technology. Lvsetianye Technology is Ms. Zhang’s investment holding entity without any operation other than holding our Shares. On the other hand, as at the Latest Practicable Date, Mr. Shan beneficially owns approximately 43.3114% of our Shares through his wholly-owned companies, namely, Lvsesenlin Technology, Daziran Technology and CPEP Holdings. These companies are Mr. Shan’s investment holding entities with no operation other than holding our Shares. Lvsesenlin Technology, Daziran Technology and CPEP Holdings are respectively holding approximately 18.6448%, 12.6666% and 12.0000% of our Shares as at the Latest Practicable Date. As such, for the purpose of the [REDACTED] and under the Listing Rules, Ms. Zhang and Lvsetianye Technology, as well as Mr. Shan, Lvsesenlin Technology, Daziran Technology and CPEP Holdings are considered as our Controlling Shareholders.

Immediately after completion of the [REDACTED], the Controlling Shareholders, namely Ms. Zhang and Lvsetianye Technology, and Mr. Shan, Lvsesenlin Technology, Daziran Technology and CPEP Holdings will control, in aggregate, the exercise of voting rights of approximately [REDACTED]% of the Shares eligible to vote in the general meeting of our Company (assuming that none of the [REDACTED] and options to be granted under the Share Option Scheme is exercised). None of our Controlling Shareholders or their respective associates has any interest in any company which may, directly or indirectly, compete with the business of our Group as at the Latest Practicable Date.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the [REDACTED]:

#### Management Independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of four executive Directors and three independent non-executive Directors. Please refer to the section headed “Directors and Senior Management” in this document for details. Ms. Zhang and Mr. Shan, our Controlling Shareholders, are our executive Directors. Save for Ms. Zhang and Mr. Shan, no other Controlling Shareholder holds any directorship in our Group.

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Our Directors believe that our Board and senior management have been and will continue to be able to independently manage our business and function independently from our Controlling Shareholders based on the following grounds:

- (i) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective 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 in the quorum;
- (iii) our daily management and operations are carried out by our executive Directors and a senior management team. Other than Ms. Zhang and Mr. Shan, who are our Controlling Shareholders, the other executive Directors and senior management are independent from our Controlling Shareholders and have substantial experience in the industry in which our Company is engaged and/or business management in general, and will therefore be able to make business decisions that are in the best interest of our Group;
- (iv) we have three independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions; and
- (v) 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. Please refer to the paragraph headed “— Corporate Governance Measures” in this section below.

Having considered the above factors, our Directors are satisfied that our Board together with the senior management team as a whole is able to perform their roles independently from our Controlling Shareholders and close associates after the [REDACTED].

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### Operational Independence

We operate independently from our Controlling Shareholders and their respective close associates, including:

- (i) We have established its own organisational structure, which comprises individual departments and each department has its own administrative and corporate governance infrastructure;
- (ii) We hold all of the relevant licences and intellectual property rights material to our business operation and has sufficient capital, facilities, equipment and employees to operate our business independently;
- (iii) our Controlling Shareholders have no interest in any of our top five suppliers and customers. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers and customers; and
- (iv) We have established a set of internal control procedures to facilitate the effective operation of our business independent from our Controlling Shareholders.

Having considered the above factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates.

### Financial Independence

Our Group has an independent financial, internal control and accounting system. We make financial decisions according to our own business needs. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, we relied principally on cash generated from operations and bank borrowings to carry on our business. We also obtained funding through investments from our Previous Investors and [REDACTED] Investors, which were used for our working capital purpose during the Track Record Period. For details, please refer to the sub-section headed “History, Reorganisation and Group Structure — [REDACTED] Investments” in this document. During the Track Record Period, Ms. Zhang and Mr. Shan, our Controlling Shareholders, and Mr. Shan Bingqi (單柄淇), son of Ms. Zhang and Mr. Shan, provided certain guarantees and pledges for our loans and facilities. See note 18 of the “Accountants’ Report” in Appendix I to this document for details. As at 31 October 2022, being the latest practicable date for indebtedness, the guarantee and pledged

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assets provided by our Controlling Shareholders and Mr. Shan Bingqi for the outstanding bank facilities were approximately RMB39,418,000. As at the Latest Practicable Date, we had obtained the consent letters from the relevant banks and the financial institution to release certain guarantees and pledged assets by substituting with our corporate guarantee upon the [REDACTED]. Our Directors confirms that all guarantees and pledged assets provided by the Controlling Shareholders and Mr. Shan Bingqi will be released before the [REDACTED], or be replaced by corporate guarantee to be provided by our Group upon the [REDACTED].

During the Track Record Period, Jilin Kaishun advanced an aggregate of approximately RMB24,553,000 to Jiyuan Biotechnology (a company that was previously owned by the parents of Ms. Zhang and parents-in-laws of Mr. Shan, which was subsequently owned by Ms. Zhang and Mr. Shan and up to the disposal of Jiyuan Biotechnology on 9 September 2021) to support Ms. Zhang’s parents to establish a trading business in raw materials for biodegradable products. All outstanding amounts were fully repaid by Jiyuan Biotechnology in August 2021. See note 17(c) of the “Accountants’ Report” in Appendix I to this document for details. See also “History, Reorganisation and Group Structure — Disposal of Jibei Technology and Jiyuan Biotechnology by our Controlling Shareholders — Jiyuan Biotechnology” in this document for details.

Other than the above, our source of funding and our finances are independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates. Having considered the above factors, our Directors are of the view that we have no financial dependence on our Controlling Shareholders.

### DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as at the Latest Practicable Date, they did not have 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 that would require disclosure under Rule 8.10 of the Listing Rules.

In the future, our Controlling Shareholders may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which our business segments also operate. Our Controlling Shareholders will ensure that they have no executive or shareholding control over such

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entities, and such entities have separate businesses with separate management and shareholder bases that control them to ensure we are able to carry on our business independently from the other entities in which they may make minority investments or hold directorships from time to time.

### CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman, chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and communications with shareholders, details of which are set out in "Directors and Senior Management" in this document.

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We [have adopted] the following measures to manage the conflict of interests arising from the competing business, if any, and to safeguard the interests of our Shareholders:

- (a) 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 its associates, our Company will comply with the applicable Listing Rules;
- (b) the Articles of Association provided that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;
- (c) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) each of our Controlling Shareholders undertakes 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;

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- (e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating either in its annual reports or by way of announcements as required by the Listing Rules, including if any conflict of interests between our Group and our Controlling Shareholders is found;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have agreed to appoint Soochow Securities International Capital Limited as our compliance adviser in compliance with Rule 3A.19 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;
- (h) we [have established] our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules. All of the members of our Audit Committee, including the chairman, are independent non-executive Directors; and
- (i) pursuant to our executive Directors' respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company, any other member of our Group, our joint ventures or our associated companies) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].