
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Pearl Group Limited was entitled to exercise the voting rights to approximately 39.87% of the total issued Shares of our Company as of the Latest Practicable Date, and will be entitled to exercise the voting rights to approximately [REDACTED]% of our total issued Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

Pearl Group Limited is an investment holding company incorporated in Cayman Islands and is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle. Accordingly, Carlyle, CAP V, L.L.C., CAP V General Partner, L.P., Carlyle Asia Partners V, L.P., CAP V Co-Investment, L.P. and Pearl Group Limited are our Controlling Shareholders under the Listing Rules.

CLEAR DELINEATION OF BUSINESS

Carlyle, a company listed on Nasdaq Global Select Market (ticker symbol: CG), is one of the world’s largest and most diversified global investment firms, with approximately US\$373 billion in assets under management as of December 31, 2022 across three business segments: Global Private Equity, Global Credit and Investment Solutions. Carlyle’s purpose is to invest wisely and create value on behalf of their investors, portfolio companies and the communities in which they live and invest.

To the best knowledge and belief of our Directors, as of the Latest Practicable Date, our Controlling Shareholders and Directors did not control more than 10% voting capital of any listed companies in Hong Kong and the PRC, and with a business similar to the principal business of our Group that competes, either directly or indirectly, with our Group’s business in the PRC, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our Board consists of eight Directors, comprising one executive Director, four non-executive Directors and three independent non-executive Directors. Our core management team is led by Mr. GAO Song, our executive Director and chief executive officer, and consists of five of our senior management members, namely Mr. PAN Chao, Mr. WANG Chengdong, Ms. HU Yuanyuan, Mr. CHU Jianing and Ms. LI Dan. None of the members of our core management team held a position in our Controlling Shareholders as of the Latest Practicable Date. For details of our Directors and senior management members, please refer to the section headed “Directors and Senior Management” in this Document.

Our core management team is able to manage our Group independently from our Controlling Shareholders for the following reasons:

- (a) save for two non-executive Directors, namely Ms. YANG Ling and Ms. FENG Janine Junyuan, none of our Directors and senior management members held an ongoing position with our Controlling Shareholders as of the Latest Practicable Date. Although Pearl Group Limited nominated Ms. YANG Ling and Ms. FENG Janine Junyuan as our Directors to supervise the development and strategic direction of our Group, they are not involved in our day-to-day business management;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the interest of our Company and all our Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (c) our Directors believe that our Board has a balanced composition of executive, non-executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, our independent non-executive Directors (i) account for one-third of the Board, (ii) do not and will not take up any position in our Controlling Shareholders or their close associates, and (iii) together possess the requisite industry experience and qualifications for their views to carry weight. Our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole;
- (d) under the Articles, matters discussed at board meetings shall be determined by a majority of votes by our Board, including our independent non-executive Directors. Since the investment of Pearl Group Limited in our Group in October 2018, Pearl Group Limited has not appointed a majority of the directors of our Board nor the boards of any of our subsidiaries;
- (e) under the Articles, for any resolution in respect of any contract or arrangement or any other proposal in which a Director of any of his/her close associates has any material interest, the interested Director shall not vote nor be counted towards the quorum in respect of such transactions; and
- (f) we have adopted/will adopt a set of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders. For details, please refer to the paragraph headed “– Corporate Governance Measures” in this section.

Based on the above, our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and/or their close associates after the [REDACTED].

Operational Independence

Our operations do not depend on our Controlling Shareholders and/or their close associates for the following reasons:

- (a) our Group possesses sufficient capital, facilities, equipment, technology and human resources to operate its business independently from our Controlling Shareholders, and holds licenses and qualifications that are necessary for our business independently from our Controlling Shareholders;
- (b) our Group has an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities;
- (c) our Group has independent access to, among others, customers, suppliers, experts and other resources required for our Group’s business. We can exercise independent rights to make and implement our operational decisions without regard to our Controlling Shareholders;
- (d) we maintain a set of internal control procedures to facilitate the effective operation of our business. For details, please refer to the section headed “Business – Risk management and internal control” in this Document; and
- (e) we have adopted/will adopt a set of corporate governance measures pursuant to the Listing Rules and other applicable laws and regulations. For details, please refer to the paragraph headed “– Corporate Governance Measures” in this section.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and/or their close associates after the [REDACTED].

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are financially independent of our Controlling Shareholders and/or their close associates.

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to our own business needs. Our source of funding is independent from our Controlling Shareholders and/or their close associates. As of December 31, 2022, there were no loans, advances and balances due to and from and guarantee provided by our Controlling Shareholders and/or their close associates. Further, there is no security over assets and guarantees provided by our Controlling Shareholders and/or their close associates on our Group’s borrowing. Our Directors confirm that our Group does not intend to obtain any borrowing, guarantees, pledges and mortgages from our Controlling Shareholders and/or their close associates.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and/or their close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

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

- (a) under the Articles, where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders and/or their close associates have a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum present at the meeting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders and/or their close associates, our Company will comply with the applicable Listing Rules;
- (c) as required by the Listing Rules, our independent non-executive Directors will (i) review, any connected transactions annually and disclose in our annual report or by way of announcements that, such connected transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole (the “**Annual Review**”); and (ii) provide impartial and professional advice to protect the interests of our minority Shareholders. Where our Directors reasonably request the advice of independent professionals, such as financial advisors, for this purpose, the appointment of such independent professionals will be made at our Company’s expenses;
- (d) our Controlling Shareholders agree to provide all information reasonably requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) we have appointed Somerley Capital Limited as our compliance advisor pursuant to the Rule 3A.19 of the Listing Rules to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

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