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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Hou was entitled to exercise voting rights attached to the 13,230,171 Shares directly held by him representing approximately 15.76% of the total issued share capital of our Company. Mr. Hou Zebing (侯澤兵), brother of Mr. Hou, was entitled to exercise voting rights attached to the Shares representing approximately 24.39% of the total issued share capital of our Company through (i) 12,702,820 Shares directly held by him, representing approximately 15.13% of the total issued share capital of our Company, and (ii) 7,775,054 Shares held by Guangzhou Daze of which he is a general partner, representing approximately 9.26% of the total issued share capital of our Company. Upon completion of the Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Hou will be entitled to exercise voting rights attached to the [REDACTED] Shares directly held by him representing approximately [REDACTED]% of the total issued share capital of our Company and Mr. Hou Zebing was entitled to exercise voting rights attached to the Shares representing approximately [REDACTED]% of the total issued share capital of our Company through (i) [REDACTED] Shares directly held by him, representing approximately [REDACTED]% of the total issued share capital of our Company, and (ii) [REDACTED] Shares held by Guangzhou Daze of which he is a general partner, representing approximately [REDACTED]% of the total issued share capital of our Company.

Mr. Hou and Mr. Hou Zebing entered into an acting-in-concert agreement on May 18, 2020 with a supplemental agreement dated March 24, 2023 to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Mr. Hou and Mr. Hou Zebing should defer to Mr. Hou's view and decision should there be different views between them on any matter considered at board meetings and general meetings of our Company.

Therefore, Mr. Hou, Mr. Hou Zebing and Guangzhou Daze collectively are able to exercise approximately [REDACTED]% voting rights in our Company and will be considered as the Controlling Shareholders of our Company upon [REDACTED].

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders confirm that as of 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, and requires disclosure under Rule 8.10 of the Listing Rules.

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

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **Management Independence**

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, 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 or her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. For further details, see “– Corporate Governance Measures” in this section.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

### **Operational Independence**

We are able to make all decisions on, and to carry out, our own business operations independently. Our Group holds the licenses and qualifications necessary to carry out our current business, and has sufficient capital, facilities, technology and employees to operate our business independently from our Controlling Shareholders. We have access to third parties independently from our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we are 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, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders. We are able to make financial decisions independently and our Controlling Shareholders do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their close associates. During the Track Record Period and as of the Latest Practicable Date, there were no loans, advances and balances due to and from our Controlling Shareholders.

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.

### **DIRECTORS’ INTEREST IN COMPETING BUSINESS**

As of the Latest Practicable Date, none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business, that requires disclosure under Rule 8.10 of the Listing Rules.

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### CORPORATE GOVERNANCE MEASURES

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

- (a) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the Controlling Shareholders or their close associates will not vote on the relevant resolutions;
- (b) 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;
- (c) our independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between our Group and our Controlling Shareholders (the "Annual Review") and provide advice to protect the interests of our minority Shareholders;
- (d) 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 our independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;
- (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 expenses; and
- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong as well as the Listing Rules, including various requirements relating to corporate governance during its term of appointment.

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