
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on our Controlling Shareholders and their respective close associates in consideration of the following factors:

(i) Management independence

Our management and operational decisions are made by the Board and our senior management team. The Board comprises four Executive Directors, three Non-executive Directors and four Independent Non-executive Directors.

Notwithstanding that there is an overlap between members of the Board and the Controlling Shareholders, we consider that the Board and senior management of our Company will be able to function independently from the Controlling Shareholders because:

- (a) each Director 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 must not allow any conflict between his or her duties as a Director and his or her personal interests;
- (b) a majority of the members of the Board are independent from the Controlling Shareholders and the Controlling Shareholders who are also Directors, namely Mr. Zhou Jian, Ms. Wang Lin, Mr. Xiong Youjun and Mr. Xia Zuoquan do not, whether acting alone or jointly, have an absolute majority to pass any Board resolution;
- (c) with four Independent Non-executive Directors out of a Board size of eleven, our Directors believe that there is a strong element on the Board of Directors which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;
- (d) there is no overlap in the Independent Non-executive Directors and the directors of other companies or entities controlled by the Controlling Shareholders, which is in line with the corporate governance best practice in Hong Kong. The Independent Non-executive Directors each have extensive experience in his or her respective area of expertise and have been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. For their details, see “Directors, Supervisors and Senior Management”;
- (e) the Board has put in place adequate arrangements set out in this section to manage conflicts of interest and to ensure impartial decision making, with the ultimate aim to ensure that the interests of the Shareholders are protected. The Directors believe that the presence of Directors who have extensive experience and from diverse backgrounds provides a balance of views and opinions; and
- (f) in the event that a Director considers that he or she should abstain from voting on a resolution or where the counterparty involved in the relevant transaction with our Group has a connected relationship with that Director (a “**Conflicting Transaction**”), that Director (the “**Interested Director**”) shall abstain from voting at the relevant Board meeting in respect of the Conflicting Transaction and shall not be counted towards its quorum. In the event that there is a Conflicting Transaction, it shall be submitted to the Independent Non-executive Directors (except for the Independent Non-executive Director who is himself an Interested Director) for their consideration and approval (in addition to any applicable requirements under the Listing Rules).

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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 the Controlling Shareholders and their respective close associates after the [REDACTED].

(ii) Operational independence

We have established our own organization structure comprised of individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. We hold our own operational resources for our business, and we have sufficient capital, facilities, equipment and employees to operate the business independently from the Controlling Shareholders and/or their respective close associates. We have maintained business relationship with our customers and suppliers who are Independent Third Parties, and do not intend to enter into any connected transactions or continuing connected transactions with our connected persons save for the continuing connected transactions that will continue upon [REDACTED] as are set out in the section headed “Connected Transactions” in this document. Based on the above, our Directors are of the view that there is no operational dependence by our Group on the Controlling Shareholders.

(iii) Financial independence

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders. We historically have had, and will following completion of the [REDACTED] continue to have, our own financial and accounting systems. Our own finance department is capable of discharging the treasury functions for cash receipts and payments, financial control, accounting, reporting, group credit and internal control independently of the Controlling Shareholders and their respective close associates.

As at 30 April 2023, the Group had total bank loans from China CITIC Bank, Shenzhen branch amounting to approximately RMB0.30 billion guaranteed by Mr. Zhou Jian, one of our Controlling Shareholders. Please see note 35 to Appendix I — “Accountant’s Report” for details. We have received confirmation from China CITIC Bank, Shenzhen branch that the aforementioned guarantees provided by Mr. Zhou Jian will be released upon [REDACTED].

Therefore, our Directors are of the view that there will not be any financial dependence on our Controlling Shareholders and/or any of their respective associates upon [REDACTED].

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates. Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and any of our Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of his/her/its associates has a material interest, such Controlling Shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;

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- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with any of our Controlling Shareholders being a connected person or any of his/her/its associates, our Company will comply with the applicable Listing Rules;
- (c) the Independent Non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and any of our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the Controlling Shareholders will undertake to provide all information necessary as required by the Independent Non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) 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; and
- (g) we have appointed Guotai Junan Capital Limited as our compliance adviser 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 any of our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].