
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As of the Latest Practicable Date, (i) Mr. Zhang, the chairman of the Board and an executive Director of our Company, directly interested in approximately 11.57% of the total issued share capital of our Company and indirectly, interested in approximately 16.97% of the total issued share capital of our Company, through Chuanglianzhixin whose general partner is Hangzhou Yudao Investment Management Co., Ltd. (杭州宇道投资管理有限公司) which is controlled by Mr. Zhang as to 99.9025%; (ii) Mr. Lu Zhonglin (吕钟霖) (“**Mr. Lu**”) directly interested in approximately 9.10% of the total issued share capital of our Company; and (iii) Ms. Xiao Sejiu (肖瑟秋) (“**Ms. Xiao**”) directly interested in approximately 1.27% of the total issued share capital of our Company.

On January 1, 2021, Mr. Zhang, Mr. Lu and Ms. Xiao entered into an acting in concert agreement, pursuant to which the aforementioned parties confirmed that they had been acting in concert historically and agreed that they would vote in agreement in Shareholders’ meetings by agreeing to reach a consensus beforehand. Mr. Zhang also confirmed that he would vote in agreement with Mr. Lu and Ms. Xiao at Directors’ meetings by agreeing to reach a consensus beforehand. In the event that a consensus cannot be reached, Mr. Lu and Ms. Xiao shall vote in accordance with Mr. Zhang’s direction in the Shareholders’ meetings. Further, if Mr. Lu and Ms. Xiao fail to act in accordance with the agreed arrangement in the Acting in Concert Agreement, they will be deemed to have given up their voting rights and Mr. Zhang shall be deemed to be authorized to represent Mr. Lu and Ms. Xiao to vote on behalf of them. As advised by our PRC legal advisor, as we are a PRC incorporated-company, Mr. Zhang is considered as our ultimate controller.

As of the Latest Practicable Date, Mr. Zhang, Chuanglianzhixin, Mr. Lu and Ms. Xiao were collectively interested in approximately 38.91% of our total issued share capital. Therefore, Mr. Zhang, Chuanglianzhixin, Mr. Lu and Ms. Xiao form a group of controlling shareholders (as defined under the Listing Rules) of our Company before [REDACTED]. Immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued under the [REDACTED] Share Option Schemes), our Controlling Shareholders will be interested in and control approximately [REDACTED]% of the total issued share capital of our Company and will remain as a group of controlling shareholders (as defined under the Listing Rules) of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders and their close associates after the [REDACTED], taking into account the factors below.

Management Independence

We are able to carry on our business independently from the Controlling Shareholders from a management perspective. Our Board consists of eight Directors, including five executive Directors and three independent non-executive Directors.

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

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- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed “Directors, Supervisors and Senior Management” in this Document;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. For details, see “– Corporate Governance” in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders and their close associates after the [REDACTED].

Operational Independence

We do not rely on the Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently from the Controlling Shareholders and their close associates.

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Financial Independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on the Controlling Shareholders and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED].

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates during the Track Record Period and as of the [REDACTED].

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

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our 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, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (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 the Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) 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;

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- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the 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, including all relevant financial, operational and market information and any other necessary information 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 Somerley 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 the Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].