
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued and allotted upon the exercise of any options and/or awards granted under the Share Scheme), Wider International will own approximately [REDACTED]% of the entire issued share capital of our Company. Mr. Zhang, being the sole beneficial owner of the entire issued share capital of Wider International, is indirectly holding approximately [REDACTED]% of the entire issued share capital of our Company. Accordingly, Mr. Zhang and Wider International will be our Controlling Shareholders upon [REDACTED]. For details regarding the shareholding interests of our Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this document.

Wider International is an investment holding company incorporated in BVI. Mr. Zhang is the founder of our Group and is also our executive Director and chairman of our Board. For the biographical information of Mr. Zhang, please refer to the section headed “Directors and Senior Management” in this document.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, Directors and their respective close associates do not have any interest in a business apart from our business 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.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates, for the following reasons:

Management Independence

The day-to-day management and operations of our Group are the responsibility of our executive Directors and senior management. Our Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. For further information of our Directors, please refer to the section headed “Directors and Senior Management” in this document. Save for Mr. Zhang, who is our executive Director and ultimate Controlling Shareholder, none of our Directors and senior management members holds any directorship in Wider International, our Controlling Shareholder. We consider that our Board and senior management will function independently from our Controlling Shareholders because:

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

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- (b) our three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under Listing Rules to ensure that the decisions of our Board are made only after the due consideration of independent and impartial opinions;
- (c) in the event that there is a potential conflict of the interest arising out of any transaction to be entered into between our Group and our Directors or their respective close 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;
- (d) our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director will have any decision-making power unless authorised by our Board;
- (e) our Company has also established an internal control mechanism to identify related party transactions to ensure that our Controlling Shareholders or Directors with conflicting interests in a proposed transaction will declare the nature of their respective interests to our Board at their earliest convenience and abstain from voting on the relevant resolutions;
- (f) in order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, our Company will engage Independent Third Party professional advisers to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between our Group and any of Directors and/or their respective close associates; and
- (g) the senior management team of our Group is independent from our Controlling Shareholders.

Operational Independence

We consider that our Group can operate independently from our Controlling Shareholders for the following reasons:

- (a) we own or have the right to use all the operational facilities relating to our business and hold all relevant qualifications, licences and permits necessary to carry on our business;
- (b) we have established our own organisational structure comprising individual departments each with specific areas of responsibilities and have the ability to formulate and implement operational decisions independently from our Controlling Shareholders;
- (c) we do not share our operational resources with our Controlling Shareholders;

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- (d) we communicate with and serve our clients independently and our Controlling Shareholders have no interest in any of our customers, suppliers or other business partners that are important to or material in our operation; and
- (e) our employees are independent from, and none of them is remunerated by, our Controlling Shareholders and/or their respective close associates.

Our Company entered into a lease agreement with Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司) (a company owned respectively as to 60% by Ms. Zhang, the sister of Mr. Zhang who is our ultimate Controlling Shareholder, and 40% by Ms. Geng Juan who is cohabiting with Mr. Zhang as his spouse) in respect of the premises situated at 3rd Floor, Block 68, No.85 Beijing East Road, Laixi, Qingdao, Shandong province (山東省青島萊西市北京東路85號68棟第三層) (the “Office Premises”) for office use, which is expected to continue after the [REDACTED]. However, our Directors are of the view that we can still operate independently from our Controlling Shareholders on the grounds that (i) such transaction has been entered into and will continue to be on normal commercial terms and in the ordinary course of business of our Company; and (ii) even if our Group ceases to lease the Office Premises from Qingdao Yongzheng Real Estate Development Co. Ltd.* (青島永正房地產開發有限公司), our Group would still be able to find suitable premises from Independent Third Parties in the same district as our office. For details of the leasing of the Office Premises, please refer to the section headed “Continuing Connected Transactions” in this document.

Financial Independence

We have our own accounting system and are able to make financial decisions according to our own business needs. We do not share any bank accounts with our Controlling Shareholders and/or their respective close associates.

During the Track Record Period, bank borrowings by our Group amounting to RMB10,000,000, RMB10,000,000, RMB10,000,000 and RMB9,995,000, respectively, were secured by personal guarantee given by Mr. Zhang and Ms. Geng Juan, which will be released upon [REDACTED]. For details of such bank borrowings, please refer to note 31 to the Accountants’ Report as set out in Appendix I to this document.

Save as disclosed in the paragraph headed “Financial Information — Related party transactions” and note 40 to the Accountants’ Report as set out in Appendix I to this document, as at the Latest Practicable Date, we had no outstanding loans, current account balances, financial assistance or financing in any other forms from our Controlling Shareholders and/or their respective close associates.

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During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on our business and this is expected to continue after the [REDACTED]. In view of our internal resources and the estimated [REDACTED] from the [REDACTED], our Directors believe that our Group will have sufficient capital for our financial needs and that our Group is financially independent from our Controlling Shareholders.

DEED OF NON-COMPETITION

Non-competition

In order to avoid any future competition between our Group and our Controlling Shareholders upon [REDACTED], each of our Controlling Shareholders, as covenantor (each a “**Covenantor**”, and collectively the “**Covenantors**”), executed on 23 November 2023, the Deed of Non-competition in favour of our Company, pursuant to which each of the Covenantors undertakes jointly and severally and unconditionally and irrevocably that, from the date of the Deed of Non-competition and ending on the occurrence of the earliest of (i) the date on which any of the Covenantors ceases to hold directly or indirectly in aggregate 30% or more of the entire issued share capital, or otherwise ceases to be a Controlling Shareholder; or (ii) the date on which our Shares cease to be [REDACTED] and [REDACTED] on the Main Board (other than suspension of trading of our Shares for any other reason) (the “**Restricted Period**”), he or it will not, and will use his or its best endeavours to procure his or its close associates and any company directly or indirectly controlled by him or it not to, whether directly or indirectly, whether for profit, reward or otherwise, whether as principal, agent, shareholder, director, partner, consultant, lender or otherwise and whether on his or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), do any of the following:

- (a) carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the business which is presently or may be carried on by any member of our Group from time to time (the “**Restricted Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; and
- (b) take any action which interferes with or disrupts or may interfere with or disrupt with the business presently carried on by any member of our Group or any other business that may be carried on by any member of our Group including, but not limited to, solicitation of any of the then current customers, suppliers, subcontractors, distributors (sub-distributors) or employees of any member of our Group;
- (c) at any time employ any person who has been a director, manager or employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to our business without prior written consent from our Company; or

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- (d) exploit his or its knowledge or information obtained from our Group to compete directly or indirectly with the Restricted Business,

on the condition that none of the clauses in the Deed of Non-competition shall preclude the Covenantors from having any interest in any company engaging in any Restricted Business (the "**Subject Company**") where: (i) the Covenantors hold not more than 5.0% of the entire issued shares or stock of any class or debentures of the Subject Company which is or whose holding company is listed on any recognised exchange (as defined under the SFO); or (ii) any Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for not more than 5.0% of the Subject Company's consolidated turnover or consolidated assets, as shown in the Subject Company's latest audited accounts provided that (i) there is a holder (together where appropriate, with its close associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by the Covenantors and/or their respective close associates at all times and (ii) the total number of the Covenantors' representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to their shareholding in the Subject Company.

Each of the Covenantors also undertakes that he or it shall not directly or indirectly appoint any executive director in the Subject Company and that the principal terms by which he or it (or their respective close associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to the members of our Group.

Each of the Covenantors has confirmed to our Company that neither he or it nor any of his or its close associates and/or companies controlled by him or it (other than members of our Group) currently own, operate, participate, invest in or carry on, directly or indirectly, whether as a director, shareholder, partner, agent or otherwise, whether for profit, reward or otherwise, the Restricted Business otherwise than through our Group.

New business opportunities

Pursuant to the Deed of Non-competition, should any new investment, engagement or other business opportunity relating to the Restricted Business (the "**New Business Opportunity**") be identified by or made available to any of the Covenantors or their respective close associates, whether directly or indirectly, he or it shall, and shall procure his or its close associates to, refer the New Business Opportunity to our Company in the following manner:

- (a) as soon as he or it becomes aware of any New Business Opportunity, he or it shall give and shall procure that his or its close associates (excluding members of our Group) to give written notice (the "**Offer Notice**") to our Company within seven days identifying the target company and the nature of the New Business Opportunity, detailing all information available to him or it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition cost and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to him or it);

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- (b) our Company is required to seek approval from our Board or a board committee (in each case comprising, among others, independent non-executive Directors) who do not have a material interest in the New Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the New Business Opportunity. Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such New Business Opportunity;
- (c) our Independent Board shall consider the financial impact of pursuing the New Business Opportunity offered, whether the nature of the New Business Opportunity is consistent with our strategies and development plans, the general market conditions in the Restricted Business’s industry and any advice from independent financial advisers, should the appointment of which be deemed necessary by our Independent Board;
- (d) if appropriate, our Independent Board may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;
- (e) our Independent Board shall, within 30 days of receipt of the Offer Notice, notify the relevant Covenantor in writing of its intention to pursue or decline the New Business Opportunity;
- (f) the relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested in the New Business Opportunity on the same, or less favourable, terms and conditions in all material aspects as set out in the Offer Notice if he/it has received a written notice from our Independent Board declining the New Business Opportunity; and
- (g) if there is any material change in the nature, terms or conditions of the New Business Opportunity pursued by the relevant Covenantor, he or it shall refer the New Business Opportunity as revised and shall provide to our Company details of all available information for our Company to consider whether to pursue the New Business Opportunity as revised.

Other undertakings

In addition, pursuant to the Deed of Non-competition, each of the Covenantors undertakes that, during the Restricted Period, he or it will:

- (a) provide all information necessary to our Company and Directors for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition and the enforcement of the undertakings contained therein;

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- (b) make an annual declaration and disclosure in compliance with such undertakings in the annual reports of our Company;
- (c) in the event of any disagreement as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, procure that the matter be determined by our independent non-executive Directors whose majority decision shall be final and binding; and
- (d) our independent non-executive Directors will review, on an annual basis, the compliance of each of the Covenantors with their respective non-competition undertaking and in particular, the right of first refusal in relation to any Business Opportunities and that our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to resolve potential conflicts of interests between our Company and our Controlling Shareholders, and to safeguard the interests of our Shareholders as a whole:

- (a) the Articles provide that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or its close associates has a personal material interest nor shall such Director be counted in the quorum of the voting;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, including why business opportunities referred by our Controlling Shareholders were not taken up, either through our annual reports or by way of announcements;
- (e) our Controlling Shareholders undertake to provide, on an annual basis, a declaration to our Company confirming that each of our Controlling Shareholders and his or its close associates has not breached any of the terms in the Deed of Non-competition;

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- (f) our Company has also established an internal control mechanism to identify related party transactions to ensure that our Controlling Shareholders or Directors with conflicting interests in a proposed transaction will declare the nature of their respective interests to our Board at their earliest convenience and abstain from voting on the relevant resolutions; and
- (g) we will seek professional advices from our compliance adviser, as long as our Company maintains the engagement of the same, on compliance with continuing obligations under the Listing Rules in accordance with the provisions of the engagement agreement with our compliance adviser and the requirements of the Listing Rules.