

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Sun, our executive Director, chairman of the Board and general manager of our Company, controlled in aggregate approximately 53.57% of the voting rights in our Company, comprising approximately (1) 30.02% beneficially owned by him directly; (2) 14.26% beneficially owned by Xinxiang LP, which is controlled by Mr. Sun as its sole general partner. Xinqiyang LP is a limited partner of Xinxiang LP holding approximately 3.0% partnership interest, which is controlled by Mr. Sun as its sole general partner; and (3) 9.29% beneficially owned by Jingwei LP, which is controlled by Mr. Sun as its sole general partner. Xinxiang LP and Xinqiyang LP are the share incentive platforms of our Company, and Jingwei LP is a shareholding platform of Mr. Sun, Mr. Jiang Zhi (our executive Director) and our certain financial investors.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Sun, Xinxiang LP, Xinqiyang LP and Jingwei LP will be able to exercise in aggregate approximately [REDACTED]% of the voting rights in our Company, and therefore, Mr. Sun, Xinxiang LP, Xinqiyang LP and Jingwei LP constitute a group of our Controlling Shareholders as of the Latest Practicable Date.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management Independence

Our business is primarily managed and conducted by our Board and senior management. Upon the completion of the [REDACTED], our Board will comprise four executive Directors, four non-executive Directors and four independent non-executive Directors.

Our Directors believe that our Board and senior management is able to manage our business and function independently from our Controlling Shareholders based on the following reasons:

- (1) each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Directors 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;
- (3) we have four independent non-executive Directors, who have extensive experience in different areas and have been appointed to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review in accordance with the Listing Rules, the applicable laws and our Articles of Association and internal policies;

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- (4) our daily management and operations are carried out by our senior management team. Except Mr. Sun himself, our senior management team members are independent from our Controlling Shareholders, all of whom have substantial experience in the industry in which our Company is engaged and/or in their respective fields of expertise, and will therefore be able to make business decisions that are in the best interest of our Group;
- (5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance.”

Operation Independence

We have established our own organizational structure comprised individual departments, each with specific areas of responsibilities. We have also established various internal controls procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates.

Financial Independence

We have an independent financial system. Our Group’s accounting and finance functions are independent of our Controlling Shareholders and their respective close associates. Our Group makes financial decisions according to our own business needs. Our Group’s major finance operations are handled by our financial management department, which operates independently from our Controlling Shareholders and their respective close associates. We do not share any other functions or resources with any of our Controlling Shareholders or their respective close associates.

During the Track Record Period, we primarily financed our business operations through cash generated from our business activities and equity financing activities. During the Track Record Period and up to the Latest Practicable Date, Mr. Sun and his spouse had provided guarantees for certain loans or credit facilities granted by the lending banks to our Group. All subsisting guarantees provided by the Controlling Shareholders in favor of our Group as aforementioned will be released prior to the [REDACTED]. Further, there was an advance due from Mr. Sun during the Track Record Period (please refer to Note 34 to the Accountants’ Report set out in Appendix I to this document for details), which had been fully settled as at the Latest Practicable Date.

Based on the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

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

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- (2) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company’s expense;
- (4) we have appointed Grande Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;
- (5) we have established the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules;
- (6) our Controlling Shareholders will confirm the status of their non-competing interest on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and
- (7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.