OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), (i) Tourism Development Group will directly hold approximately [REDACTED]% of the total registered share capital of our Company and (ii) Quanyu Tourism Company will directly hold approximately [REDACTED]% of the total registered share capital of our Company.

Tourism Development Group is a wholly owned subsidiary of Yangzhou Industrial, which is a state-owned enterprise directly and wholly owned by the Yangzhou Government.

Quanyu Tourism Company is owned as to (i) 76.60% by Yangzhou Business Tourism Group and (ii) 23.40% by Slender West Lake Administration Office. Yangzhou Business Tourism Group is a wholly owned subsidiary of Yangzhou Industrial, which in turn is ultimately controlled by the Yangzhou Government. By virtue of Rule 19A.14 of the Listing Rules, the Yangzhou Government is considered a PRC Governmental Body within the definition under Rule 19A.04 of the Listing Rules, and so it should be excluded from the definition of a controlling shareholder under Rule 1.01 of the Listing Rules.

Accordingly, (i) Tourism Development Group, (ii) Yangzhou Industrial, (iii) Quanyu Tourism Company, and (iv) Yangzhou Business Tourism Group are controlled by Yangzhou Industrial and will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

DELINEATION OF BUSINESS

Our core business is provision of water sightseeing boat services with a series of value-added services. The provision of sightseeing tour bus services and the provision of management services are ancillary to our core business. For further details, please see "Business."

Tourism Development Group is a state-owned company which is mainly responsible for the operation of capital and project construction of the Shugang-Slender West Lake Administrative Committee. Tourism Development Group is involved in various commercial properties and vacation resort projects in Yangzhou, including but not limited to, Slender West Lake Hot Spring Hotel, Slender West Lake Rainbow Square and the Flower Culture and Art Exhibition Hall. It also has investments in real estate development, film and television media in the PRC. As opposed to our Group, it mainly focuses on project constructions for commercial properties and will not provide any management services after the constructions are completed.

In addition to our business, Quanyu Tourism Company also offers other tourism-related services in Yangzhou, including (i) the operation of cultural tourist attractions and restaurants in Yangzhou; (ii) the sale of cultural and creative souvenirs; and (iii) the provision of marketing services.

Yangzhou Industrial is primarily engaged in the provision of business services and equity investments in the PRC. Yangzhou Business Tourism Group is primarily engaged in asset management services, property management services and management and consulting services for scenic areas in the PRC.

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors was engaged or had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's core business i.e. water sightseeing boat services, which would require disclosure under Rule 8.10 of the Listing Rules. Therefore, our Directors are of the view that the businesses of our Controlling Shareholders and our Group is clearly delineated.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and after the [REDACTED].

Management Independence

The Board comprises six executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Please see the section headed "Directors and Senior Management" in this document for further details.

As of the Latest Practicable Date, save as disclosed below, none of our Directors or members of our senior management team holds any position at our Controlling Shareholders. Set out below is a table summarizing the positions held by certain Directors at our Company and our Controlling Shareholders:

Name	Position with our Group	Position with our Controlling Shareholders as of the Latest Practicable Date
Ms. Xu Shunmei . . .	Chairman of the Board and Executive Director	Chairman and non-executive director of Quanyu Tourism Company
Mr. Lian Gang	Executive Director	Non-executive director of Quanyu Tourism Company
Ms. Wang Juan	Executive Director	Chairman of the supervisory committee of Quanyu Tourism Company

Despite Ms. Xu Shunmei and Mr. Lian Gang being the chairman and non-executive director of Quanyu Tourism Company respectively, they are mainly responsible for providing strategic advice for overall development and are not involved in the day-to-day management activities of Quanyu Tourism Company and do not have any management roles in Quanyu Tourism Company. Ms. Wang Juan is the chairman of the supervisory committee of Quanyu Tourism Company and does not have any management role in Quanyu Tourism Company. Our management and operation decisions in the Company are made by our executive Directors and senior management as a whole, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged in. Ms. Xu Shunmei, Mr. Lian Gang and Ms. Wang Juan are and will continue to devote substantially all their time to discharge their duties in their positions at our Group. In the event that Ms. Xu Shunmei, Mr. Lian Gang and Ms. Wang Juan are required to be absent themselves from any board meeting on any matter which may give rise to a potential conflict of interest, our remaining Directors will have sufficient expertise and experience to fully consider such matter.

In addition, our Directors are of the view that there are sufficient and effective control mechanisms to ensure our Directors to discharge their duties appropriately and safeguard the interests of our Shareholders as a whole for the following reasons:

(a) three out of nine Directors, representing one-third of our Board are independent non-executive Directors. All of our independent non-executive Directors are independent of our Group, and none of them are directors of our Group or otherwise connected with our Group in any manner that may affect their independent judgment or independence as required under the Listing Rules. Our independent non-executive Directors are professional parties with extensive experience in their respective areas of expertise. Please see the section headed "Directors and Senior Management" in this document for more details. Our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. They will also provide checks and balances over the decision-making of the Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interest; and

(b) each Director is aware of his/her fiduciary duties as a director which require, among others, that he/she acts for the benefit and in the interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. For the avoidance of doubt, our Directors' interests in our Group (if any) will not compromise their independence of judgment in discharging their fiduciary duties as directors of our Company. 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 Director(s) shall abstain from voting and shall not be counted in the quorum at the relevant board meetings of our Company in respect of such transactions. Please see the paragraph headed "Corporate Governance Measures" below for other corporate governance measures we have adopted to manage conflicts of interest, if any, between our Group and our Controlling Shareholders.

Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper function of the Board.

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 and are of the view that we are capable of managing our business independently from our Controlling Shareholders after the [REDACTED].

Operation Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders. Our Company holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital and employees to operate our business independently from our Controlling Shareholders.

We have established our own organizational structure with independent departments and business units, each with specific areas of responsibility. We maintain a set of comprehensive internal control procedures to facilitate the effective operations of our business. Our operational functions are running independently of our Controlling Shareholders.

We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers and internal referrals.

Save for the continuing connected transactions set out in the section headed "Continuing Connected Transactions" in this document, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders upon or shortly after the [REDACTED]. Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group had our own internal control, accounting and financial management systems, accounting and finance department and independent treasury functions for cash receipts and payments. We made financial decisions according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, we have not entered into any facility agreements or standalone loan agreements with any banks. We confirm that there is no other financial assistance provided by our Controlling Shareholders to our Group and vice versa.

Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders. In addition, our Group has developed long term and stable relationships with various banks to support our business operations and expansion.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders from a financial perspective and are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Non-competition Undertaking by Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-competition that it will not, and will procure its close associates (other than members of our Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with our business (the "**Restricted Business**"), or hold shares or interest in any companies or business that compete or may compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders and their close associates hold less than 10% of the total issued share capital of any company which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company.

Each of our Controlling Shareholders has also undertaken to us in the Deed of Non-competition that if it or their respective close associates (other than members of our Group) become aware of and wishes to undertake any business opportunity to own, invest in, participate in, develop, operate or engage in any Restricted Business (the "**Business Opportunity**"), they shall, and shall procure their close associates (other than members of our Group) to first refer the Business Opportunity to our Company in writing. Any decision on whether to take up the Business Opportunity shall be decided by our Independent Non-executive Directors. Our Controlling Shareholders or any of their close associates (other than members of our Group) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the Independent Non-executive Directors confirming that our Company has decided not to take up the Business Opportunity or our Company fails to respond.

Pursuant to the Deed of Non-competition, the above restrictions and undertakings will cease to have effect on the earlier of the date on which (i) so far as a Controlling Shareholder is concerned it ceases to be our Controlling Shareholder under the Listing Rules; or (ii) our Shares cease to be [REDACTED].

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- our Independent Non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- each of our Controlling Shareholders will and will procure its relevant close associates to provide all information necessary for the annual review by our Independent Non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by our Independent Non-executive Directors on the compliance with and the enforcement of, the Deed of Non-competition and the decisions on matters reviewed by our Independent Non-executive Directors either through our annual report or by way of announcement to the public in compliance with the Listing Rules;
- each of our Controlling Shareholders will make an annual declaration on the compliance with the Deed of Non-competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-competition, it may not vote on the resolutions of our Board approving the matter and may not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group, and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- as part of the preparation for the [REDACTED], our Company has amended the Articles of Association to comply with the Listing Rules which will become effective upon the [REDACTED]. In particular, the Articles of Association will provide that a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest;

- our Group has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if the Company enters into connected transactions with our Controlling Shareholders or any of their associates, the Company will comply with the applicable requirements under the Listing Rules;

- our Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). The Company has appointed three independent non-executive Directors, and believes that the independent non-executive Directors (a) possess sufficient experience, (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (c) will be able to provide an impartial and external opinion to protect the interests of the Shareholders as a whole. See "Directors and Senior Management";

- the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interest between the Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of the minority Shareholders. 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 the independent non-executive Directors for the Annual Review. 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; and

- 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

- we have appointed China Everbright Capital Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

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