

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Sang, our Chairman, general manager and an executive Director, is in aggregate entitled to exercise approximately 41.32% of the voting rights in our Company through (i) 12,173,853 Shares (representing approximately 37.75% of the voting rights in our Company) directly held by Mr. Sang, (ii) 775,320 Shares, 176,070 Shares, 101,736 Shares and 98,237 Shares (in aggregate representing approximately 3.57% of the voting rights in our Company) held by Shanghai Keyi, Shanghai Kebing, Shanghai Keshan and Shanghai Kerong, each an Employee Incentive Platform and a limited partnership of which Mr. Sang is the general partner.

Immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Sang, together with Shanghai Keyi, Shanghai Kebing, Shanghai Keshan and Shanghai Kerong will be entitled to exercise approximately [REDACTED]% of the voting rights in our Company and will remain as our Controlling Shareholders upon the [REDACTED].

COMPETITION

Each of our Controlling Shareholders has confirmed that as of the Latest Practicable Date, he or it or his or its respective close associates 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, and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors and members of the senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. Except for Mr. Sang, all the other members of our Board and our senior management are independent of our Controlling Shareholders.

We believe that our Board can fully benefit from the independent advice from our independent non-executive Directors and is capable of exercising its power independently from our Controlling Shareholders. 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. In the event that there is a potential material 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 at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, our daily management and operations are carried out by a senior management team, apart from Mr. Sang, 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.

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Operational Independence

We have sufficient capital, facilities, premises, and employees to operate our business independently from our Controlling Shareholders and their close associates. We also have independent access to our customers and suppliers and an independent management team, including an organizational structure made of individual departments, each with specific areas of responsibilities, to operate our business. We are in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses. Our Group has also established a set of internal controls procedures to facilitate the effective operation of our business.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent internal control and accounting system and make financial decisions according to our business needs. We also have an independent finance department responsible for discharging the treasury functions for cash receipts and payments, accounting, reporting, and internal control independently of our Controlling Shareholders and their respective close associates. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. As of the Latest Practicable Date and upon the [REDACTED], there was and will be no financial assistance, security, and/or guarantee provided by our Controlling Shareholders or their respective close associates in our favor or vice versa (as the case may be).

We have engaged an independent internal control consultant, which is part of an international audit firm, to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests and our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) we have established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if we enter into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (b) our Company has appointed three independent non-executive Directors to ensure the effective exercise of independent judgments on the decision-making process of our Board and provide independent advice to our Shareholders;

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- (c) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their 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;
- (d) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders (“**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (e) 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;
- (f) we will disclose decisions on matters reviewed by the independent non-executive Directors either in our interim and annual reports or by way of announcements as required by the Listing Rules;
- (g) 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 expenses; and
- (h) we have appointed Altus Capital Limited as our compliance advisor 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 that may arise between us and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].