

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Shan controlled the voting rights of 43.28% of our total issued share capital, comprising (i) approximately 10.52% of our total issued share capital held by Mr. Shan directly; (ii) approximately 22.87% of our total issued share capital held by Shenzhen Chengshi and Chengyi Huitong in aggregate, whose general partner is Fengyizushi Investment, a company controlled by Mr. Shan; and (iii) approximately 9.89% of our total issued share capital, the voting rights of which have been proxied to Mr. Shan by Mr. Yuan pursuant to the Voting Proxy Agreement. See “History, Development and Corporate Structure — Voting Proxy Arrangement” for details.

Accordingly, immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Shan, through entities he controlled and the voting proxy arrangement, will control the voting rights of approximately [REDACTED]% of our total issued share capital. Therefore, Mr. Shan, together with his controlled entities, namely Shenzhen Chengshi, Chengyi Huitong and Fengyizushi Investment, will be our Controlling Shareholders upon [REDACTED]. See the section headed “Directors and Senior Management” for details of Mr. Shan.

COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

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].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operational resources including but not limited to customers and suppliers, as well as all relevant licenses necessary to carry out our businesses. We have a team of senior management to operate the business independently from our Controlling Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Controlling Shareholders for sources of suppliers, customers and business partners. Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors.

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (a) our daily management and operations are carried out by a senior management team. Save as disclosed above, all members of our senior management have no other relationship with the Controlling Shareholders and their respective close associates. They have substantial experience in the industry as further described in the section headed “Directors and Senior Management”, which will enable them to make business decisions that are in the best interests of our Group;

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- (b) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;
- (c) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company’s best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (d) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting;
- (e) 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 Measures” for further information.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Financial Independence

We have a finance center independent from our Controlling Shareholders and their close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the Pre-[REDACTED] Investment from third party investors independently. For details of the Pre-[REDACTED] Investment, see “History, Development and Corporate Structure.” As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Controlling Shareholders or their close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their close associates.

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

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:

- (a) 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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- (b) our Group has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if any transaction is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;
- (c) our Board consists of a balanced composition of executive Directors, non-executive Director and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) 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
- (e) we have appointed Gram 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 the [REDACTED].