OVERVIEW

As at the Latest Practicable Date, Ruili Company, Ruili Ruiheng, Xinruili No.1 and Ruili No.52 held 74.61%, 13.17%, 0.90% and 0.53% of the Shares of our Company, respectively. Ruili Company was owned as to 82.92% by Mr. Zhang and 15.86% by Ms. Chi, respectively. Mr. Zhang and Ms. Chi are spouses. Ruili Company holds 100% of Ruili Ruiheng and Ruili Ruichuang. Ruili Ruiheng is the general partner of Xinruili No.1, and Ruili Ruichuang is the general partner of Ruili No.52. Accordingly, each of Mr. Zhang, Ms. Chi, Ruili Company, Ruili Ruiheng, Ruili Ruichuang, Xinruili No.1 and Ruili No.52 is our Controlling Shareholder, and they collectively held 89.21% of our Shares.

Immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Controlling Shareholders will be entitled to exercise approximately [**REDACTED**]% of the voting rights at our general meeting. Therefore, they will remain as our Controlling Shareholders.

Despite Mr. Zhang Xiaofeng (張曉峰) (the younger brother of Mr. Zhang) and Ms. Cao Ai (曹愛) (the sister-in-law of Ms. Chi) holding 0.92% and 0.30% equity interest of Ruili Company respectively (collectively accounting for the remaining 1.22% equity interest of Ruili Company) as at the Latest Practicable Date, each of whom in turn indirectly holds a small portion of our total issued Shares as at the Latest Practicable Date, Mr. Zhang Xiaofeng and Ms. Cao Ai are not members of our Controlling Shareholders on the following bases:

(1) Mr. Zhang Xiaofeng and Ms. Cao Ai, in spite of their minority shareholdings in Ruili Company and the family connections that Mr. Zhang Xiaofeng is the younger brother of Mr. Zhang and Ms. Cao Ai is the sister-in-law of Ms. Chi, are passive minority investors who do not take any instructions from Mr. Zhang and Ms. Chi in exercising their shareholder rights. Mr. Zhang and Ms. Chi (being spouses) collectively hold 98.78% equity interest in Ruili Company and exercise absolute control over the voting powers and the composition of the board of Ruili Company, and thus control the management decisions of Ruili Company;

(2) The articles of association of Ruili Company do not contain any special rights for minority shareholders. Thus, Mr. Zhang and Ms. Chi as the majority shareholders of Ruili Company holding substantially more than two-third of the voting rights can control the decisions of the matters to be considered at its general meetings, through which they can also control all indirect voting interests held by Ruili Company in the Company; and

(3) No acting in concert, voting proxy, voting agreement or similar arrangements exist between Mr. Zhang Xiaofeng, Ms. Cao Ai and our Controlling Shareholders, and they exercise their minority shareholder rights independently without joint coordination or being subject to any direction from our Controlling Shareholders.

For more information relating to our Controlling Shareholders and their shareholdings in our Company, see "Substantial Shareholders".

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we can function, operate and carry on our business independently from our Controlling Shareholders upon [**REDACTED**].

Operational Independence

Save as disclosed in the sections headed "Business — Intellectual Property", "Business — Licenses, Approvals and Permits" and "Connected Transactions — Fully Exempt Continuing Connected Transactions — Trademark Licensing" in this document, our Group holds all material intellectual properties (or rights to use intellectual properties) 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. Apart from certain services (including office and warehouse premises leasing and catering and accommodation services) as disclosed in section headed "Connected Transactions — One-off Connected Transaction — Property Leasing" and "Connected

Transactions — Fully Exempt Continuing Connected Transactions — Procurement of Services" in this document, we have a separate management team and separate functional departments for essential administrative functions, including accounting and internal audit departments which operate independently from Ruili Group. We have also adopted a set of internal control procedures to maintain effective and independent operation of our business.

We have independent access to our customers and an independent management team to operate our business. To the best knowledge of our Directors, save in respect of the ongoing services provided to us, and expected to continue to be provided to us, by Ruili Group and its associates as further described in the section headed "Connected Transactions" in this document, all of our suppliers are independent third parties.

Given our close business relationship with Ruili Group, Ruili Company has extended guarantees to support us in setting up joint venture companies alongside our cooperative partners. We have established limited liability companies via joint ventures with transportation operators by entering into joint venture agreements (the "**Joint Venture Agreements**") across different cities in Chinese Mainland to carry out the distribution and sales of auto spare parts. In the majority of these joint ventures, our Company and the respective partners hold 51% and 49% equity interests in each joint venture company respectively, and operating profits are allocated in line with such shareholding ratios. Under the agreed terms of the Joint Venture Agreements, if any joint venture company records a loss exceeding RMB500,000 within a single fiscal year or accumulated losses surpass RMB1,000,000, our Company is obligated to repurchase the 49% equity interests held by the relevant partner in that joint venture company, with Ruili Company undertaking joint and several liability for such repurchase obligation. If our Company fails to complete the equity repurchase in accordance with the contractual terms, Ruili Company shall remain jointly and severally liable for our repurchase obligations. The Company confirms that all the aforesaid guarantees will be fully released prior to the [**REDACTED**].

We have also entered into a number of transactions with Ruili Group which form the framework governing our ongoing business cooperation. Transactions conducted with Ruili Group account for a substantial share of our overall business dealings and collaboration arrangements. See the section headed "Connected Transactions" in this document and below for further details of and the reasons for entering into these transactions.

Procurement of products

In our regular daily business focusing on auto parts sales, our Company sources various auto parts (including air compressors, water pumps, brake fittings, EPB/ABS/ECAS components and related hydraulic & electrical accessories from Ruili Subsidiaries (as defined in the section headed "Connected Transactions"), to stock up inventories and subsequently sell such purchased auto parts to downstream vehicle manufacturers, aftermarket dealers and terminal clients via our Company's established sales platform. Purchasing finished auto parts from Ruili Subsidiaries enables us to secure stable, continuous product supply, shorten raw material & component preparation cycle and lift our overall operational efficiency. Meanwhile, relying on Ruili Group's mature manufacturing & quality control system, we can secure consistent product quality to stabilize downstream customer cooperation and optimize end-user customer experience. Drawing on our long-term historical cooperation experience with Ruili Subsidiaries for component procurement, we confirm the Ruili Subsidiaries can consistently deliver qualified products matching our ordering requirements in a reliable and steady manner. Accordingly, entering into the Procurement Framework Agreements (as defined in the section headed "Connected Transactions") and continuing relevant component procurement [**REDACTED**] is consistent with the commercial interests of our Company and our Shareholders.

Such continuing connected transactions do not impact the business delineation between Ruili Group and our Group or raise any business independence issue as: (a) this arrangement is mainly for the convenience of customers who prefer a single point of contact for supply of auto parts in their operations; and (b) the supply of auto parts is generally only made pursuant to the demand of key accounts of our Group and to supplement the existing or contemplated supply of auto parts to our customers in order to provide better customer service and more comprehensive industrial supply chain services.

The cooperation between Ruili Group and us under the Procurement Framework Agreements is mutually beneficial by providing a single point of contact and one-stop supply of auto parts for key accounts. This way, our Group can effectively support the operation of key accounts and, in turn, enhance customer satisfaction and stickiness. Given Ruili Group enjoys leading position in the PRC's automotive components industry, it has diverse and quality product offerings with speedy deliveries. Therefore, it is commercially beneficial for our Group to procure certain auto parts from Ruili Group and both parties do not anticipate such continuing connected transactions will terminate in the foreseeable future despite having such termination right pursuant to the Procurement Framework Agreements.

Although the arrangements under the Procurement Framework Agreements are complementary and beneficial to all parties involved, our Group is not bound to procure such auto parts from Ruili Group and is able to procure similar auto parts from independent third party suppliers both within Mainland China and overseas. Our Group will only procure auto parts from Ruili Group if the procurement of auto parts is on normal commercial terms or better.

See the subsection headed "Connected Transactions — Non-exempt Continuing Connected Transactions" in this document for further details and reasons for entering into these transactions.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Please see the section headed "Directors and Senior Management" in this document for further details. One of our Directors holds the following positions in Ruili Company and its close associates:

Name	Position in our Company	Positions held in Ruili Company and its close associates
Mr. Zhang	Honorary chairman of the Board and non-executive Director	Chairman of the board and general manager of Ruili Company, and chairman, deputy chairman, director, and manager of the subsidiaries of Ruili Company

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

(i) While Mr. Zhang is one of our Controlling Shareholders and our honorary chairman, he only serves as our non-executive Director and is not involved in the day-to-day management of our Group. He is primarily responsible for formulating the overall business strategies and participating in making major decisions of our Company as a member of our Board;

(ii) None of our Directors and members of senior management holds any role as a director or member of senior management in any close associate of Mr. Zhang.

Our executive Directors and non-executive Directors (save for Mr. Zhang) and our independent non-executive Directors and members of our senior management do not hold any role as a director or member of senior management in Ruili Company and its close associates. Decisions of the Board require the approval of a majority vote from the Board. Therefore, the Board can manage the operation of our Company independently from our Controlling Shareholders and their respective close associates;

(iii) According to the PRC Company Law and the Articles of Association, for any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall be excluded from the quorum. In addition, for Board meetings involving connected Directors, any Director who has a connected relationship with the matter, including directors holding positions in Ruili Company and its associates, shall promptly submit a written report to the Board of Directors and shall not vote on the resolution, nor may they act as proxy for any other Director in voting. The Board meeting may be held if more than half of the unconnected Directors are present, and any resolution shall be adopted only with the affirmative vote of more than half of the unconnected Directors. Independent non-executive Directors, as unconnected Directors, shall participate in the voting on the matters involving conflicts of interest to ensure the interests of our Company and the Shareholders as a whole;

(iv) We have appointed three independent non-executive Directors, comprising over one-third of the total members of our Board, to provide a balance of the number of potentially interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;

(v) Each of our Directors is aware of his/her fiduciary duties and responsibilities under applicable laws and the Listing Rules as a director, which require that he/she acts in the best interests of our Company and our Shareholders as a whole;

(vi) During the Track Record Period and before the [**REDACTED**], Mr. Zhang has nominated all or a majority of the Directors pursuant to our Articles of Association as in force before (but not after) the [**REDACTED**]. Nevertheless, after the [**REDACTED**], Mr. Zhang will not have any special nomination right under the Articles, and all our Directors will be strictly subject to the same fiduciary duties under applicable laws and the Listing Rules to act independently in the interest of our Company and our Shareholders as a whole;

(vii) Where a Shareholders' meeting is held to consider a proposed transaction in which any of our Controlling Shareholders or their respective close associates has a material interest, our Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

(viii) Our Company has appointed VBG Capital Limited as our Compliance Adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Financial Independence

We have our own financial management system and we make financial decisions according to our own business needs. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, none of our Controlling Shareholders or their close associates had provided any guarantees to our Group. Our Directors are satisfied that our Group will be financially independent of our Controlling Shareholders and any of their close associates upon [**REDACTED**].

During the Track Record Period and as of the Latest Practicable Date, the Group had certain outstanding balances due to or from our Controlling Shareholders and their close associates as a result of the connected transactions set forth in note 35 to the accountants' report included in Appendix I to this document. Our Directors confirm that, there will be no balances due to or from our Controlling Shareholders or their close associates which had not been fully settled nor were there any financial assistance, security or guarantee provided by our Controlling Shareholders or their close associates in favor of our Group or vice versa upon [**REDACTED**]. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after [**REDACTED**].

NO MATERIAL COMPETITION WITH OUR CONTROLLING SHAREHOLDERS

Delineation of Business between Ruili Group and Us

Our Group is a commercial vehicle service provider and supply chain platform in China, which provides a broad range of products and related services for the commercial vehicle service market, with product portfolio covering chassis parts, universal parts, gearbox parts, electrical parts, engine parts, and body accessories parts. On the other hand, Ruili Group primarily engages in two core business segments (i) the research and development, production and sales of core components related to vehicle active safety systems, covering the research and development, production, sales and technical services of vehicle active safety systems and precision aluminium alloy die castings; and (ii) the production of auto parts and air compression equipment.

Ruili Group has confirmed that, as of the Latest Practicable Date, it did not have any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Our Directors are of the view that there is clear delineation between the business of Ruili Group and our Group, and that and Ruili Group does not compete and are unlikely to compete, either directly or indirectly, with our businesses on the following basis:

Different business models and service positioning. Although both Ruili Group and our Group are involved in auto parts-related businesses, the core business models are fundamentally different and non-overlapping. Ruili Group is a professional manufacturing enterprise focusing on the production link, which mainly engages in the research and development and production of vehicle active safety system core components, precision aluminium alloy die castings, auto parts and air compression equipment, and provides supporting technical services, with no commercial vehicle parts sales business for external market operation. In contrast, our Group is a commercial vehicle service and supply chain platform that does not engage in any parts production business. We focus exclusively on the sales and integrated supporting services of diversified commercial vehicle parts, covering chassis parts, engine parts, electrical parts and other full-category commercial vehicle accessories, forming a complete differentiation in business links.

Customer base. Ruili Group's customers are primarily upstream and midstream industrial clients, including complete vehicle manufacturers, industrial equipment factories and downstream component assembly enterprises, adopting factory-to-factory bulk supply models for production supporting needs. Our Group's customers are institutional participants in the commercial vehicle after-market, including professional vehicle maintenance centres, fleet operation companies and commercial vehicle service institutions, adopting after-market retail and bulk supporting service models for operational maintenance needs.

Based on the above, our Directors are of the view that there is no material business competition between Ruili Group and our Group.

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:

(i) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements;

(ii) 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;

(iii) any transaction that is proposed between our Group and our Controlling Shareholders, and/or our Directors and/or their respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and

(iv) we have appointed VBG 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.

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**].