
RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Du, our executive Director and the chairman of the Board, (i) was directly interested in 8,308,510 A Shares of our Company, representing approximately 2.04% of the voting power of our Company; and (ii) through Moma Investment, which was controlled as to 54.00% by Mr. Du, was indirectly interested in 91,261,463 A Shares of our Company, representing approximately 22.44% of the voting power of our Company. Accordingly, Mr. Du was interested in an aggregate of 99,569,973 A Shares of our Company and was entitled to exercise approximately 24.49% of the voting power of our Company. Accordingly, Mr. Du and Moma Investment are regarded as the Single Largest Group of Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), Mr. Du and Moma Investment will be entitled to exercise approximately [REDACTED]% of the voting power at general meetings of our Company and will remain as the Single Largest Group of Shareholders. Upon [REDACTED], our Company will not have any controlling shareholder as defined under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Our Single Largest Group of Shareholders has confirmed that, as of the Latest Practicable Date, they do 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.

NON-COMPETITION UNDERTAKING

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange, each member of our Single Largest Group of Shareholders, namely Mr. Du and Moma Investment, has provided a non-competition undertaking in favor of our Company, pursuant to which each of them has undertaken that, among others:

- (i) save for directly holding equity interests in our Company, he or it has not directly or indirectly engaged in any business which competes or may compete with the business carried on by our Company (the “**Competing Business**”), nor does he or it participate in the investment of any other enterprise whose products or business compete or may compete with the products or business of our Company;
- (ii) during the period in which he or it is associated with our Company, neither he or it nor any other enterprise controlled by or in which he or it has an equity interest will, directly or indirectly, engage in any business which competes or may compete with the business carried on by our Company. In the event that he or it or any other enterprise controlled by or in which he or it has an equity interest obtains any business opportunity which competes or may compete with the products or business of our Company, he or it shall promptly notify our Company and offer such business opportunity to our Company so as to ensure that the interests of our Company and all its shareholders will not be prejudiced;
- (iii) he or it undertakes not to improperly interfere with the operational management activities of our Company or misappropriate the interests of our Company; and
- (iv) any gains derived by him or it from any failure to perform the above undertakings shall be surrendered to our Company in full. In the event that any economic losses are caused to our Company or its other shareholders as a result of his or its failure to perform the above undertakings, he or it shall compensate our Company and such other shareholders for all such economic losses suffered by them.

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INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Single Largest Group of Shareholders and their close associates upon [REDACTED].

Management Independence

Upon [REDACTED], our Board will comprise seven Directors, including four executive Directors and three independent non-executive Directors. Our management and operational decisions are made collectively by our Board and senior management, most of whom have served our Group for a significant period of time and have substantial and extensive relevant industry experience and expertise as set out in the section headed “Directors and Senior Management” in this document. Other than Mr. Du, who is a member of our Single Largest Group of Shareholders, an executive Director and the chairman of the Board, none of our Directors or members of senior management is or will be a member of our Single Largest Group of Shareholders upon [REDACTED], or holds any directorship or executive position in any of the close associates of our Single Largest Group of Shareholders.

Our Directors consider that our Board and senior management will function independently of our Single Largest Group of Shareholders for the following reasons:

- (i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and should not allow any conflict of interests between his or her duties as a Director and his or her personal interests;
- (ii) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our executive Directors and senior management, see “Directors and Senior Management” in this document;
- (iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;
- (iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting and shall abstain from voting in respect of such transaction and not be counted towards the quorum at the relevant Board meetings of our Company; and
- (v) we have appointed three independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable of performing their roles in our Company independently and managing our business independently of our Single Largest Group of Shareholders and their close associates after [REDACTED].

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Operational Independence

We have full rights to make all decisions regarding, and carry out, our business operations independently. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Single Largest Group of Shareholders and their close associates. We have independent access to suppliers and customers. We are also in possession of all assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we will be able to operate independently of our Single Largest Group of Shareholders and their close associates after [REDACTED].

Financial Independence

We have the ability to operate independently of our Single Largest Group of Shareholders and their close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of financial staff responsible for financial control, accounting and reporting functions, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have adequate financial resources and credit facilities to support our daily operations without relying on any guarantee or security provided by our Single Largest Group of Shareholders and their close associates.

We do not rely on our Single Largest Group of Shareholders or their close associates to provide financial assistance to our Group. We have independent access to third party financing and our Directors believe that, if necessary, we are capable of obtaining financing from external sources without reliance on our Single Largest Group of Shareholders or their close associates. As of the Latest Practicable Date, none of the members of our Single Largest Group of Shareholders or their close associates has provided any loans, borrowings or guarantees to our Group.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Single Largest Group of Shareholders and their close associates after [REDACTED].

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflict of interests with our Single Largest Group of Shareholders and their close associates:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provide that, unless otherwise provided, 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, nor shall such Director be counted in the quorum present at the Board meeting;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or any of his/her close associates have a material interest;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules; and

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- (iv) we are committed that our Board shall include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experience and are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders as a whole. For details of our independent non-executive Directors, see “Directors and Senior Management — Directors — Independent Non-Executive Directors” in this document.

We have appointed Yue Xiu Capital Limited as our compliance advisor, which 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.