
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDER

Immediately after the [REDACTED] (without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED]), Mr. Chen will be interested in approximately [REDACTED]% of the issued share capital of our Company.

In this regard, Mr. Chen will be our Controlling Shareholder within the meaning of the Listing Rules.

Mr. Chen is an executive Director and Chairman of our Board. For details of the background of Mr. Chen, please refer to the section headed “Directors and Senior Management” in this Document.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, our Controlling Shareholder was not interested in a 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 GROUP

Our Directors are of the view that our Group will be able to operate independently from our Controlling Shareholder and his respective close associates (other than our Group) after the [REDACTED] for the following reasons:

(i) Management Independence

Our business is managed and conducted by our Board and senior management. The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are of the view that our Directors and senior management are able to perform their roles and manage our business independently from our Controlling Shareholder notwithstanding that Mr. Chen is an executive Director and Chairman of our Board for the following reasons:

- (a) the executive Directors, supported by experienced full-time senior management team, oversee the day-to-day management of our Group and are responsible for the operation of our Group’s business;
- (b) Mr. Chen, as one of our executive Directors, devotes substantially all his time to discharge his duties of his positions at our Group;
- (c) each of our Directors is fully aware of his/her fiduciary duties as director and will dedicate his/her time to the management of our Group;
- (d) our daily management and operations are carried out by our senior management team, 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;
- (e) our Directors believe the independent non-executive Directors are able to bring independent judgement to the decision-making process of the Board and protect the interests of our Company and our Shareholders as a whole;
- (f) our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting;

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- (g) Mr. Chen have undertaken that if a conflict of interest situation arises, he shall (i) not vote or be counted in the quorum of any resolution of the Board unless so authorised by the Articles, (ii) refrain from being present during the relevant discussions at Board meetings, and (iii) play no part in the decision-making process of the Board; and
- (i) we have adopted corporate governance measures and sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Controlling Shareholder, which would support our independent management. Please see “— Corporate Governance Measures” in this section for further details.

(ii) Operational Independence

Although our Controlling Shareholder will retain a controlling interest in our Company after the [REDACTED], our Group has full rights to make all decisions regarding, and to carry out, its own business operations independently. Our Group does not rely on our Controlling Shareholder for its supply, business development, staffing, capital, equipment, intellectual properties or marketing and sales activities upon [REDACTED]. Our Group has independent access to suppliers and customers and an independent management team to handle its day-to-day operations. Our Company (through its subsidiary) holds or enjoys the benefit of all relevant assets and resources necessary to carry on our Group’s businesses.

Having considered the above, our Directors are satisfied that they are able to perform their roles in our Group independently, and our Group is capable to operate independently from our Controlling Shareholder after the [REDACTED].

(iii) Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group had its own internal control, accounting and financial management system and function, independent treasury functions for cash receipts and payment and our Group makes financial decisions according to its own business needs.

As of 31 December 2023 and 2024, certain of our bank loans were guaranteed by Mr. Chen, our Controlling Shareholder, or companies in which an associate of Mr. Chen is the controlling shareholder. The underlying bank borrowings of such guarantees had been fully settled as of the Latest Practicable Date.

Our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholder after the [REDACTED]. Therefore, there is no financial dependence on our Controlling Shareholder.

FURTHER UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDER

Our Controlling Shareholder has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rule 10.07 of the Listing Rules, see section headed “[REDACTED]” in this Document for details.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential conflicts of interest and to safeguard the interests of our Shareholders:

- (i) our Company has appointed independent non-executive Directors to ensure the effective exercise of independent judgements on the decision-making process of our Board of Directors and provide independent advice to our Shareholders;

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- (ii) our Company will provide to our independent non-executive Directors the Offer Notice delivered to our Company by our Controlling Shareholder within seven days of receipt;
- (iii) our Directors consider that our independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise our Company’s pre-emptive right;
- (iv) any proposed transaction between us and connected persons will be subject to Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent Shareholders’ approval requirements of such rules;
- (v) in the event of any potential conflict of interests, our Director(s) with an interest in the relevant transaction(s) shall abstain from voting at the relevant Board of Directors meeting and shall not be counted towards the quorum in respect of the relevant resolution(s) at such meeting;
- (vi) in the event of any potential conflict of interests at the Shareholders’ level, our Controlling Shareholder shall abstain from voting at the Shareholders’ meeting of our Company with respect to the relevant resolutions; and
- (vii) we have appointed Zhongtai International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors’ duties and corporate governance.