

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS

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As of the Latest Practicable Date, Mr. Liu, Mr. Song, Ms. Yang Junwen, Chenxing Friends, Chenxing Brothers and Chenxing Partners held approximately 11.11%, 9.20%, 3.94%, 3.82%, 3.25% and 2.66% of the issued share capital of our Company, respectively.

Pursuant to the Concert Party Agreement, Mr. Song, Chenxing Partners, Chenxing Friends, Chenxing Brothers and Ms. Yang Junwen agreed to, among others, act in concert with Mr. Liu and follow his decisions in exercising their vote at the shareholders’ meeting of our Company. The Concert Party Agreement will remain effective after the proposed [REDACTED].

Accordingly, as of the Latest Practicable Date and under the Concert Party Agreement, Mr. Liu is entitled to exercise approximately 33.99% voting rights of our Company. Immediately following the completion of the [REDACTED], in light of the Concert Party Agreement, Mr. Liu will be entitled to exercise [REDACTED]% of the voting rights of our Company, comprising: (i) [REDACTED]% of our voting rights through Shares directly held by him, (ii) [REDACTED]% of our voting rights through Shares directly held by Mr. Song, (iii) [REDACTED]% of our voting rights through Shares held by Chenxing Partners, Chenxing Friends and Chenxing Brothers, and (iv) [REDACTED]% of our voting rights through Shares held by Ms. Yang Junwen. Therefore, Mr. Liu, Mr. Song, Chenxing Partners, Chenxing Friends, Chenxing Brothers and Ms. Yang Junwen will constitute a group of Single Largest Shareholders of our Company upon completion of the [REDACTED].

NO COMPETITION AND CLEAR BUSINESS DELINEATION

Each of our Single Largest Shareholders confirms that, as of the Latest Practicable Date, he/she/it 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 that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDERS

Management Independence

We are able to carry on our business independently from the Single Largest Shareholders from management perspective. Our Board consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Liu and Mr. Song, who are members of the Single Largest Shareholders, also serve as our executive Directors.

Our Directors are of the view that our Company is able to function independently from the Single Largest Shareholders for the following reasons:

- (a) our daily management and operations are carried out by our executive Directors and the senior management with assistance from our core technical staff, 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. For details of the industry experience of our executive Directors and the senior management, see “Directors and Senior Management”;
- (b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (c) we have three independent non-executive Directors who (i) account for not less than one-third of the Board, (ii) do not and will not hold any directorships or management positions in our Single Largest Shareholders, (iii) possess the requisite industry knowledge and experience and are qualified to provide independent, sound and professional advice to our Company, and (iv) will be responsible for deciding certain matters of our Company which must always be referred to the independent non-executive Directors for review;

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- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, any interested Director is required to declare the nature of such interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and
- (e) to support our management independence, we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Shareholders which would support our independent management. See “—Corporate Governance.”

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Single Largest Shareholders and their respective close associates upon [REDACTED].

Operational Independence

Our Group does not rely on Single Largest Shareholders and their respective close associates for our business development, staffing, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Single Largest Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

Our Group has independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Shareholders and their respective close associates upon [REDACTED].

Financial Independence

Our Group has an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Single Largest Shareholders and their respective close associates for financing after [REDACTED] as we expect that our working capital will be funded by cash, cash equivalent on hand as well as the net [REDACTED] from the [REDACTED]. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of members of our Single Largest Shareholders and their respective close associates.

We are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Single Largest Shareholders and their respective close associates. As of the Latest Practicable Date, we confirm that there is no financial assistance provided by our Single Largest Shareholders to our Group and *vice versa*.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Single Largest Shareholders and their respective close associates upon [REDACTED].

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CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. We will adopt the following measures to ensure good corporate governance standards and avoid potential conflicts of interest between our Group and our Single Largest Shareholders:

- (a) where a Shareholders’ meeting is held for considering proposed transactions in which any of our Single Largest Shareholders has a material interest, he/she/it shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Single Largest Shareholders, our Single Largest Shareholders 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 in its annual reports or by way of announcements;
- (d) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company’s cost as and when appropriate in accordance with the Corporate Governance Code;
- (e) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders’ approval requirements (if applicable) under the Listing Rules; and
- (f) we have appointed Altus 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.

Based on the above, our Directors are satisfied that the corporate governance measures are sufficient to manage conflicts of interest that may arise between our Group and our Single Largest Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].