
RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, (i) Mr. Liu directly held approximately 16.23% of our issued Shares, (ii) Eigen Chengzhi directly held approximately 8.71% of our issued Shares; and (iii) Eigen Jihui directly held approximately 7.85% of our issued Shares. Eigen Chengzhi and Eigen Jihui are our Employees Shareholding Platforms and are owned as to 1.79% and 1.98% by Mr. Liu, who is their respective general partner. Mr. Liu is also the general partner of each of Aiqi Genyuan and Aihe Genli, our other two Employees Shareholding Platforms. Each of Aiqi Genyuan and Aihe Genli held 4.21% and 21.73% equity interest as a limited partner in Eigen Chengzhi and Eigen Jihui, respectively. Mr. Liu therefore has full control over Eigen Chengzhi and Eigen Jihui. Accordingly, as of the Latest Practicable Date, our Largest Group of Shareholders were entitled to exercise and control the exercise of approximately 32.79% of our issued Shares.

Upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), they will be entitled to exercise and control the exercise of an aggregate of approximately [REDACTED]% of the voting rights at our general meetings upon [REDACTED]. Accordingly, they will remain as our Largest Group of Shareholders immediately upon the completion of the [REDACTED].

Apart from the above, Mr. Liu is also the chairman of our Board, an executive Director and the general manager of our Company. For further background details of Mr. Liu, please refer to “Directors and Senior Management — Board of Directors — Executive Directors” in this document.

EXCLUDED BUSINESS

Our Largest Group of Shareholders confirmed that none of their respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

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 Largest Group of Shareholders upon [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Largest Group of Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that the Company will continue to be operationally independent of our Largest Group of Shareholders and their respective close associates after [REDACTED]:

- (a) we are not reliant on trademarks owned by our Largest Group of Shareholders, or by other companies controlled by our Largest Group of Shareholders;
- (b) there is no requirement for relevant license that is material to the operation of our business and we have sufficient capital, equipment and employees to operate our business independently;
- (c) we make our own procurement purchases and conduct our own sales and marketing primarily by ourselves. Save as disclosed in this document, the Group has a large and diversified base of customers and our customers and suppliers are unrelated to our Largest Group of Shareholders and their respective close associates;

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- (d) as at the Latest Practicable Date, we leased office space from independent third parties. All the properties and facilities necessary to our business operations are independent from our Largest Group of Shareholders and their respective close associate;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, executive and human resources departments;
- (f) as at the Latest Practicable Date, all of our full-time employees were recruited independently from our Largest Group of Shareholders and their respective close associates and primarily through campus recruiting, job market recruiting, headhunters’ recommendations and internal referrals;
- (g) our Directors do not expect that there will be any transactions between our Group and our Largest Group of Shareholders or their respective close associates upon or shortly after [REDACTED]; and
- (h) none of our Largest Group of Shareholders and their respective close associates has any interest which competes or is likely to compete with the business of our Group.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises of seven directors, consisting of four executive Directors and three independent non-executive Directors. Please refer to “Directors and Senior Management” in this document for further details.

As at the Latest Practicable Date, save for Mr. Liu, none of our Directors or the members of our senior management team holds any position at Mr. Liu’s companies outside of our Group.

Our Directors are of the view that our Directors (except Mr. Liu) have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors (except Mr. Liu) and members of the senior management are able to perform their roles in our Company in managing our business independently from our Largest Group of Shareholders for the following reasons:

- (i) as a part of our preparation for the [REDACTED], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that any Director and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;
- (ii) save for Mr. Liu, all of the other Directors are independent from our Largest Group of Shareholders, and decisions of the Board require the approval of a majority vote from the Board;
- (iii) our independent non-executive Directors constitute more than one-third of our Board and none of them has any relationship with our Largest Group of Shareholders. 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;

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- (iv) our daily operational and management decisions are made collectively by our Board and our senior management, all of whom have substantial experience in the industry and will therefore be able to make business decisions that are in the best interests of our Company;
- (v) each of our Directors is aware of his or her fiduciary duties as a director, which require, 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
- (vi) We will establish a series of corporate governance measures and adopt sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Largest Group of Shareholders, which would support our independent management. For details, please refer to “— Corporate Governance” in this section.

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 at the Latest Practicable Date, none of our Largest Group of Shareholders or their respective close associates had provided any guarantees to our Group. Our Directors are satisfied that our Group will be financially independent of our Largest Group of Shareholders and any of their respective close associates upon [REDACTED].

Our Directors confirm that there will be no balances due to or from our Largest Group of Shareholders or their respective close associates which had not been fully settled nor were there any financial assistance, security or guarantee provided by our Largest Group of Shareholders or their respective 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 Largest Group of Shareholders and their close associates after [REDACTED].

Corporate Governance

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Largest Group of 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 our Largest Group of Shareholders and/or the Directors on the other hand, our Largest Group of 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 its annual report or by way of announcements;
- (ii) Where a Shareholders’ meeting is held for considering proposed transactions in which our Largest Group of Shareholders have a material interest, our Largest Group of Shareholders shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

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- (iii) 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;
- (iv) any transaction that is proposed between our Group and our Directors, including our Largest Group of Shareholders 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
- (v) we have appointed Rainbow Capital (HK) 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 Largest Group of Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

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