

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

OUR SINGLE LARGEST SHAREHOLDERS GROUP

As of the Latest Practicable Date, by virtue of the Concert Party Agreements, Mr. Xu, Mr. Wang and XSKY Tianshu, as a group of Shareholders, were collectively entitled to control the voting rights attaching to approximately 24.78% of the total issued Shares of our Company through (i) 52,705,817 Shares held by Mr. Xu; (ii) 22,455,647 Shares held by Mr. Wang; and (iii) 12,611,553 Shares held by XSKY Tianshu. Mr. Xu is the general partner of XSKY Tianshu, and has the rights and powers to manage and administer the affairs of XSKY Tianshu. Pursuant to the Concert Party Agreements, Mr. Xu, Mr. Wang and XSKY Tianshu, each of them, as a Shareholder of our Company, undertook to act in concert in respect of key decision-makings of the Company and follow the view of Mr. Xu when exercising voting rights at shareholders’ meetings and Board’s meetings of the Company. For further details, see “History, Development and Corporate Structure — Acting-In-Concert Arrangement” in this Document. The Concert Party Agreements shall remain effective within at least 36 months (or such longer period as required by laws and regulations or by regulators) after the [REDACTED].

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the Share Option Scheme), Mr. Xu, Mr. Wang and XSKY Tianshu will be collectively entitled to exercise the voting rights attaching to approximately [REDACTED]% of the total issued Shares of our Company. Accordingly, Mr. Xu, Mr. Wang and XSKY Tianshu will not be regarded as our controlling Shareholder as defined under the Listing Rules, but will remain as our Single Largest Shareholders Group upon completion of the [REDACTED].

NO COMPETITION AND CLEAR BUSINESS DELINEATION

As confirmed by our Single Largest Shareholders Group, as of the Latest Practicable Date, neither of them had 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 GROUP

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

Management Independence

Our business is managed and operated by our Board and senior management. For more details, see “Directors and Senior Management”. Notwithstanding that our executive Directors, Mr. Xu and Mr. Wang are members of the Single Largest Shareholders Group and Mr. Xu is the general partner of XSKY Tianshu, our Directors consider that our Board and senior management team are able to manage our business independently from the Single Largest Shareholders Group for the following reasons:

- (a) our daily management and operations are carried out by a 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. For details of the industry experience of our senior management team, see “Directors and Senior Management” in this document;
- (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 our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

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- (c) our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (i) our independent non-executive Directors are not associated with the Single Largest Shareholders Group or each of their close associates; (ii) our independent non-executive Directors account for more than one-third of the Board; and (iii) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience as independent directors of listed companies and will be able to provide professional advice to our Company. In conclusion, our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and
- (d) we will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage potential conflicts of interest, if any, between our Group and Single Largest Shareholders Group, which would support our independent management. For details, see “— Corporate Governance” in this section.

Operational Independence

Our Group does not rely on our Single Largest Shareholders Group and their 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 Group and their 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 Group and their close associates.

Financial Independence

Our Group has an independent financial system and makes 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 the Single Largest Shareholders Group and their 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 the Single Largest Shareholders Group and their 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 Group and their close associates. As of the Latest Practicable Date, we confirm that there is no financial assistance provided by the Single Largest Shareholders Group 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 Group and their 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 the Single Largest Shareholders Group:

- (a) where a Shareholders’ meeting is held for considering proposed transactions in which the Single Largest Shareholders Group has a material interest, the Single Largest Shareholders Group 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 the Single Largest Shareholders Group, the Single Largest Shareholders Group 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 and Corporate Governance Report as set out in Appendix C1 to the Listing Rules;
- (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 the Single Largest Shareholders Group, and to protect our minority Shareholders’ interests after the [REDACTED].