
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option), XC Group, which is wholly-owned by Mr. Xu, our founder, our executive Director, our chairman of the Board and chief executive officer, will hold approximately 66.65% of the issued share capital of our Company. XC Group is an investment holding company. As a result, each of Mr. Xu and XC Group are considered as our Controlling Shareholders within the meaning of the Listing Rules. For details of our Controlling Shareholders' background, see "History, Reorganization and Corporate Structure" and "Directors and Senior Management" in this prospectus.

COMPETING INTEREST

Save for their respective interests in our Company and our subsidiaries, as of the Latest Practicable Date, none of our Controlling Shareholders, our Directors or any of their respective close associates had any interest in any other business apart from the business operated by our Group, which competes, or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective associates or any other parties, taking into account the following factors:

Financial Independence

Our finance department is independent from our Controlling Shareholders with finance staff who are independent from our Controlling Shareholders. Its responsibilities include, among other things, financial control, accounting, financial reporting, group credit and internal control. None of our finance staff works for our Controlling Shareholders and/or their respective associates.

We are capable of making financial decisions independently, and our Controlling Shareholders will not interfere with our use of funds. We have established an independent audit system and a financial and accounting system. In addition, we manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders and/or their respective associates.

In addition, our Group does not rely on our Controlling Shareholders and/or their respective associates for the provision of financial resources. As of the Latest Practicable Date, we had certain amounts due from our Controlling Shareholders, which will be settled before the Listing. Save for the foregoing, as of the Latest Practicable Date, we had no outstanding loans and advances due to or from our Controlling Shareholders or their associates and had not provided any outstanding securities, loans or any other forms of financial assistance to our Controlling Shareholders or their associates.

Operational Independence

Our Company is capable of making independent operational decisions. Although our Controlling Shareholders retain a controlling interest in our Company after Listing and Mr. Xu, being one of our Controlling Shareholders, is one of our executive Directors, our Directors believe that such would not prevent our Company from exercising its rights to make and implement our own decisions in our business operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, our organizational structure is well established to align with the day-to-day operation of the business with the organizational aims. Each department in our organizational structure is empowered to deal with specific areas of responsibilities and performs independently, subject to the final confirmation and approval of our Board.

In addition, our Group generates our own content, and also owns the necessary intellectual property rights and is not reliant on any intellectual property rights that are owned by our Controlling Shareholders or their associates.

Accordingly, our Directors are satisfied that during the Track Record Period, we have been and will continue to operate independently from our Controlling Shareholders and their associates after the Listing.

Management Independence

Our management and operational decision are made by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Xu, being one of our Controlling Shareholders, also holds directorships in our Company and certain of our subsidiaries.

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of the our Group. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date. Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our independent non-executive Directors, details of whom are set out in “Directors and Senior Management” in this prospectus, individually and together possess the requisite knowledge and experience to be a member of our Board. All of our independent non-executive Directors are sufficiently experienced and we believe that they will provide impartial and professional advice to protect the interests of our minority Shareholders.

Our Directors and senior management are familiar with the fundamentals of our Company’s business, its operations and are informed about our Company’s activities. Our Group has established (i) the Audit Committee, (ii) the Remuneration Committee, and (iii) the Nomination Committee. Each committee comprises a majority of independent non-executive Directors so as to monitor the operations of our Group.

Each Director understands that he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others things, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. 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, the interested Director(s) and their respective associate(s) shall abstain from

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has also 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. Save as disclosed in “Connected Transactions”, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to make independent operational decisions having regard to their own knowledge of our Group and their experience and skills.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. To strengthen our corporate governance practice and to safeguard the interests of our Shareholders, the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he/she or any of his/her close associate(s) has/have a material interest, and if he/she should do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution).

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ rights after the Listing.