
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Hua, Ms. Yu, Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE.

Immediately after completion of the Capitalization Issue and the [REDACTED], (i) Mr. Hua (as the settler and appointer of his family trust) will be interested in approximately [REDACTED]% of our enlarged total issued share capital through his interest in Hone Ru, Gfxtmyun and TMY ONE; and (ii) Ms. Yu (the spouse of Mr. Hua and as the settler and appointer of her family trust) will be interested in approximately [REDACTED]% of our enlarged total issued share capital through her interest in Wiloru Holdings and Hyufeng. Therefore, Mr. Hua and Ms. Yu, through their respective holding companies (namely Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE), will together indirectly hold and be entitled to exercise the voting rights attaching to approximately [REDACTED]% of our enlarged total issued share capital, and Mr. Hua, Ms. Yu, Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE will be considered as a group of Controlling Shareholders for the purpose of the Listing Rules after the [REDACTED].

Save as disclosed in this document, neither our Controlling Shareholders nor any of our Directors, including their respective close associates, was, as of the Latest Practicable Date, interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational Independence

Our Company makes business decisions independently. We have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. We maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We are also in possession of all relevant licenses necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

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Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in Note 34 in the Accountant’s Report, our Directors have confirmed that these related party transactions, if trade related, were conducted on normal commercial terms or better to us. None of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the [REDACTED].

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. See the section headed “Directors and Senior Management” in this document for more details of our Directors. Mr. Hua, our Chairman, an executive Director and the chief executive officer, is one of our Controlling Shareholders. Save for Ms. Hua Hui (the sister of Mr. Hua), all the other Directors and other members of our senior management are independent from our Controlling Shareholders. The daily operation of our Group is carried out by our experienced management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis.

Each Director is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring independent judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Financial Independence

Our Group has established an independent financial center with a team of independent financial staff, as well as a sound and independent financial system and makes financial decisions according to our Group’s own business needs. Our Group has adequate capital to operate our business independently, and has sufficient internal resources to support our daily operations.

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During the Track Record Period, our Group had certain trade and non-trade related amounts due to/from our Controlling Shareholders and/or their respective close associates. Please see Note 34 to the Accountant's Report, the text of which is set out in Appendix I to this document. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates had been fully settled as of the Latest Practicable Date.

During the Track Record Period, certain bank borrowings were guaranteed by and/or secured by the pledge of properties of our Controlling Shareholders and related parties. Please see Note 30 to the Accountant's Report, the text of which is set out in Appendix I to this document. Such guarantees and/or pledges provided to our Group for bank borrowings will be released upon the [REDACTED].

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their close associates.

Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their respective close associates in favor of our Group or vice versa upon the [REDACTED]. We engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates, we believe our Group is financially independent from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (i) where a Shareholders' meeting is held for considering proposed transaction in which our Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (ii) 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 resolutions and shall not be counted in the quorum for the voting;

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- (iii) any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (iv) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling 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 report or by way of announcements to the public; and
- (v) our Company has appointed Red Solar Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and 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 between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after [REDACTED].