

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Luan Linjiang (one of the controlling shareholders of our Company prior to the [REDACTED]), through LLJ Phoenix, held 33% of the total issued share capital of our Company, and Mr. Luan Xiaolong, through LXL Phoenix and SEGM Holding (wholly owned by SDJY Holding, which is in turn wholly owned by Mr. Luan Xiaolong) held 56% and 10% of the total issued share capital of our Company, respectively. Immediately after the completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Luan Linjiang, through LLJ Phoenix, will be beneficially interested in [REDACTED]% of the enlarged issued share capital of our Company, and Mr. Luan Xiaolong, through LXL Phoenix and SEGM Holding (wholly owned by SDJY Holding, which is in turn wholly owned by Mr. Luan Xiaolong), will be beneficially interested in a total of [REDACTED]% of the enlarged issued share capital of our Company.

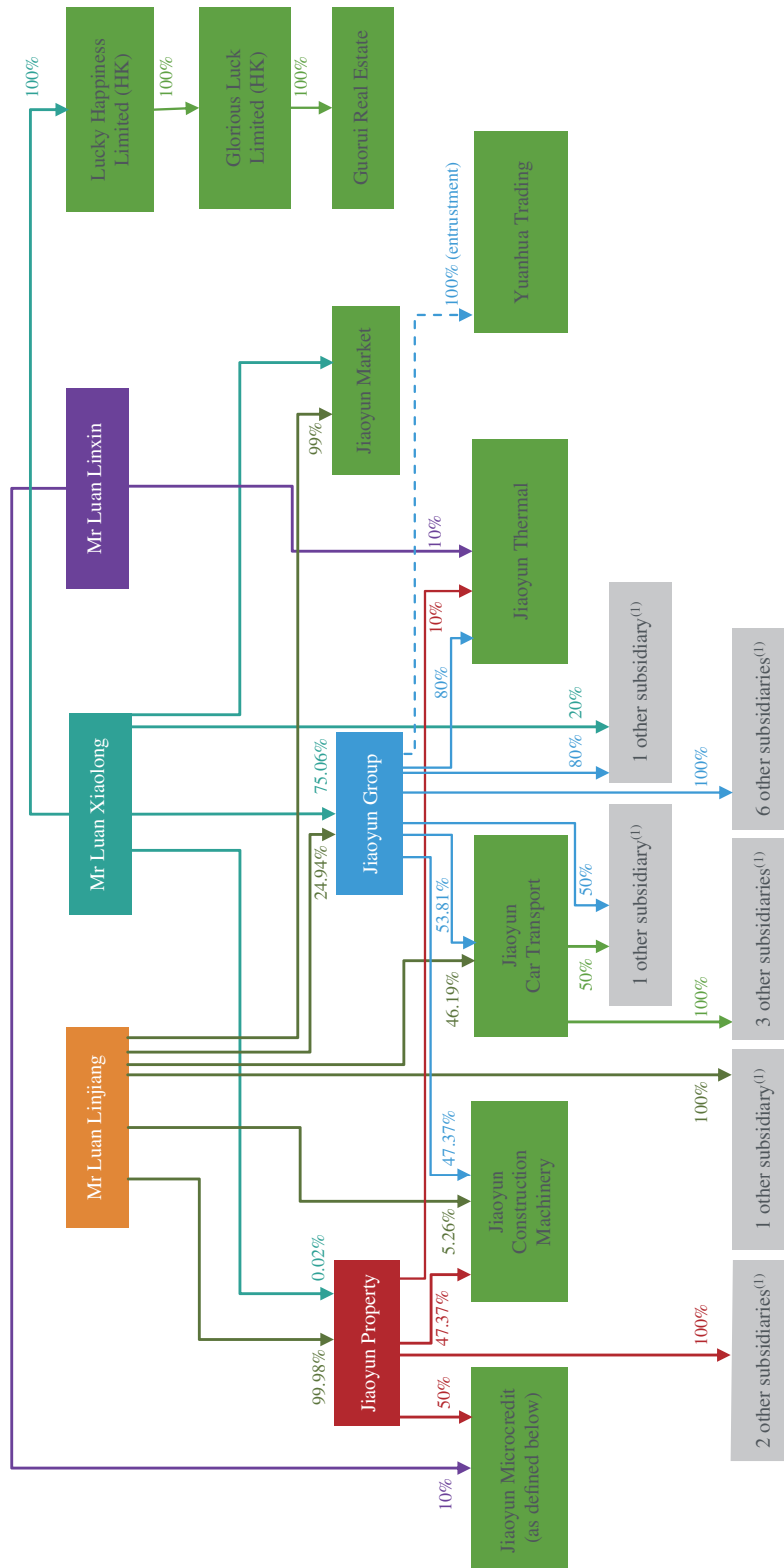
Since Mr. Luan Linjiang, through LLJ Phoenix, will hold less than 30% of our total issued share capital following the completion of the [REDACTED], and Mr. Luan Xiaolong, the son of Mr. Luan Linjiang, is aged over 18 and therefore is not a close associate of Mr. Luan Linjiang within the meaning of the Listing Rules, Mr. Luan Linjiang and LLJ Phoenix will not be regarded as our controlling shareholders as defined under the Listing Rules. Accordingly, Mr. Luan Xiaolong, LXL Phoenix, SEGM Holding and SDJY Holding are considered as a group of our Controlling Shareholders immediately following the [REDACTED]. LXL Phoenix, SEGM Holding and SDJY Holding are investment holding companies incorporated in BVI.

EXCLUDED BUSINESSES

We are a natural gas operator in Gaomi City, Shandong Province. In contemplation of the [REDACTED], in order to focus our resources on our natural gas supply business and ensure clear delineation of business between our Group and the Private Group, we underwent the Reorganisation, pursuant to which Jiaoyun Thermal and Gaoyun Investment were disposed of. Both disposed companies are now part of the Private Group. Further details on such disposals are set out in “History, Reorganisation and Corporate Structure — Reorganisation — 1. Disposal of certain subsidiaries engaged in non-core businesses” in this document.

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The Private Group consists of companies that are ultimately controlled by Mr. Luan Xiaolong and/or Mr. Luan Linjiang, (i.e. with 50% or more ultimate beneficial ownership held directly and/or indirectly through intermediary companies). There are over 20 such entities that are considered part of the Private Group as at the Latest Practicable Date. The following diagram illustrates a simplified shareholding structure of the Private Group (excluding our Group):



Note:

(1) Other subsidiaries include Gaomi Jiaoyun Survey and Design Co., Ltd.* (高密市交運勘察設計有限公司), Shandong Gaoyun General Aviation Co., Ltd.* (山東高運通用航空有限公司), Gaomi Jiaoyun Bus Co., Ltd.* (高密市交運公交車有限公司), Gaomi Jiaoyun Taxi Co., Ltd.* (高密市交運出租車有限公司), Gaomi Transportation Co., Ltd.* (高密市交通客運有限公司), Gaoyun Investment (Shandong) Co., Ltd.* (高運投資(山東)有限公司), Gaomi Jiaoyun Property Management Co., Ltd.* (高密市交運物業管理有限公司), Gaomi Jiaoyun Group Co., Ltd. (高密市交運集團有限公司), Jinshuihan Community Clinic* (高密市交運集團有限公司金水岸小區診所), Gaomi Xinji Health Industry Management Co., Ltd.* (高密市新濟健康產業管理有限公司), Weifang Nuorui Equipment Installation Co., Ltd.* (濰坊諾瑞設備安裝有限公司), Gaomi Baotong Pipeline Engineering Co., Ltd.* (高密市保通管道工程有限公司), Shandong Haoyun Road and Bridge Construction Co., Ltd.* (山東昊運路橋建設有限公司), Gaomi Yuyuan Air Conditioning Equipment Installation Co., Ltd.* (高密市裕源空調設備安裝有限公司) and Weifang Gaoyun Environmental Protection Technology Co., Ltd.* (濰坊市高運環保科技有限公司).

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Details of each entity shown in the above chart are set out below:

No.	Name	Nature of business	Aggregated ultimate shareholding of both Mr. Luan Linjiang and Mr. Luan Xiaolong together
1.	Jiaoyun Property	Real estate development	100%
2.	Jiaoyun Group	Investment and health consultation services	100%
3.	Jiaoyun Market	Operation and management of markets and provision of rental and property management services	100%
4.	Gaomi Jiaoyun Microcredit Co., Ltd.* (高密市交運小額貸款股份有限公司) (“ Jiaoyun Microcredit ”)	Provision of small credit financing	50%
5.	Jiaoyun Construction Machinery	Manufacturing and trading of construction machinery	100%
6.	Jiaoyun Car Transport	Passenger transportation services	100%
7.	Jiaoyun Thermal	Supply of heating	90%
8.	Yuanhua Trading	Wholesale and retail	100%
9.	Guorui Real Estate	Real estate development	100%
10.	Gaomi Jiaoyun Survey and Design Co., Ltd.* (高密市交運勘察設計有限公司)	Construction and municipal engineering surveys and designs	100%
11.	Shandong Gaoyun General Aviation Co., Ltd.* (山東高運通用航空有限公司)	Provision of general aviation preparation services	100%
12.	Gaomi Jiaoyun Bus Co., Ltd.* (高密市交運公交車有限公司)	Public transportation	100%
13.	Gaomi Jiaoyun Taxi Co., Ltd.* (高密市交運出租車有限公司)	Taxi passenger transportation	100%
14.	Gaomi Transportation Co., Ltd.* (高密市交通客運有限公司)	Public transportation	100%

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No.	Name	Nature of business	Aggregated ultimate shareholding of both Mr. Luan Linjiang and Mr. Luan Xiaolong together
15.	Gaoyun Investment (Shandong) Co., Ltd.* (高運投資(山東)有限公司)	Investment and financial consultation services	100%
16.	Gaomi Jiaoyun Property Management Co., Ltd.* (高密市交運物業管理有限公司)	Property management	100%
17.	Gaomi Jiaoyun Group Co., Ltd. Jinshuiian Community Clinic* (高密市交運集團有限公司金水岸小區診所)	Clinic and medical services	100%
18.	Gaomi Xinji Health Industry Management Co., Ltd.* (高密市新濟健康產業管理有限公司)	Health consultation services	100%
19.	Weifang Nuorui Equipment Installation Co., Ltd.* (濰坊諾瑞設備安裝有限公司)	Manufacturing, trading and installation of mechanical and electrical equipment	100%
20.	Gaomi Baotong Pipeline Engineering Co., Ltd.* (高密市保通管道工程有限公司)	Construction	100%
21.	Shandong Haoyun Road and Bridge Construction Co., Ltd.* (山東昊運路橋建設有限公司)	Contracting and construction	100%
22.	Gaomi Yuyuan Air Conditioning Equipment Installation Co., Ltd.* (高密市裕源空調設備安裝有限公司)	Sale and installation of air-conditioning equipment	100%
23.	Weifang Gaoyun Environmental Protection Technology Co., Ltd.* (濰坊市高運環保科技有限公司)	Research and development of environmental protection technology and products	100%

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Jiaoyun Thermal

Jiaoyun Thermal principally engages in the business of supplying centralised heating in Gaomi City. Jiaoyun Thermal supplies heat through water heating pipeline networks in Gaomi City. Our Directors are of the view that there is clear delineation between the business of Jiaoyun Thermal and our Group due to the infrastructure required and highly regulated nature of public utilities businesses in the PRC. There is no room for heating providers to determine the areas which they could supply heating to, as it is dictated by government planning. For heat supply, households in Gaomi City generally use either water heating supplied through hot water pipelines embedded under the floor and/or within walls (i.e. the type of heating supplied by Jiaoyun Thermal) or natural gas heating supplied through wall-hung gas boilers that are powered by natural gas and installed within households (i.e. the type of heating supplied by our Group), but not both. Whether a household uses water heating or not depends on whether the building or premises has access to the centralised heating system supported by the water heating pipeline network, which in turn depends on the building plan approved by the government at the time of its construction. Coverage and reach of the water heating pipeline network is determined by the government. In particular, according to the Heating Regulations of Shandong Province (山東省供熱條例) and Heating Regulations of Weifang Municipality (濰坊市供熱條例), it is mandatory for all new property developments and revitalised properties in the urban area of Gaomi City to include facilities (or reserve space for facilities) for accessing the water heating pipeline network for supply of water heating according to the requirements of local authorities. Therefore, it is not possible for our Company or Jiaoyun Thermal to influence property developers to adopt water heating or natural gas heating in their properties located in the urban area. According to CIC, it is a well-established practice that households with access to water heating will not use natural gas heating, since water heating is generally more convenient and cheaper than natural gas heating. Our customers that use natural gas for heating are typically located in areas beyond the reach of water heating pipeline networks.

During the Track Record Period, to the best knowledge of our Directors, none of Jiaoyun Thermal’s customers overlapped with our customers that used natural gas for heating. Accordingly, our Directors are of the view that Jiaoyun Thermal does not compete with our Group.

Other businesses of the Private Group

All businesses of the Private Group are separate, distinct and clearly delineated from our principal business of natural gas supply. We consider that it would be commercially justifiable to exclude the members of the Private Group from our Group. From a strategic perspective, the Private Group businesses are not the core business which our Group intends to focus on. From an operational perspective, the expertise and resources required for the operation of our principal business are different from those required for the Private Group businesses. As such, we are of the view that the injection of any of the Private Group businesses into our Group is not in line with our intention to focus our resources on our operation of natural gas supply. As at the Latest Practicable Date, our Controlling Shareholders have no intention to inject any of the Private Group businesses into our Group.

Given the clear differences between the Private Group businesses and the business of our Group, our Directors are of the view that there is clear delineation between them and hence do not compete with each other.

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Rule 8.10 of the Listing Rules

As at the Latest Practicable Date, none of our Controlling Shareholders and our Directors had any interest in any other business which competes or is likely to compete, either directly or indirectly with our business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section or in “Connected Transactions” in this document, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after the [REDACTED].

Our Directors consider that we can operate independently from our Controlling Shareholders following completion of the [REDACTED] based on the following reasons:

Management independence

The business of our Group is managed by our Board and the senior management team of our Group independently of our Controlling Shareholders and their respective close associates (including the Private Group). Our Board comprises three executive Directors and three independent non-executive Directors. Our senior management consists of six members. For more details, please refer to “Directors and Senior Management” in this document. Mr. Luan Xiaolong, our executive Director and chief executive officer, is also our Controlling Shareholder.

Mr. Luan Xiaolong, Mr. Luan Linjiang and Mr. Luan Linxin, our executive Directors, hold directorship and other executive roles in various members of the Private Group and will remain in such positions in the Private Group companies after the [REDACTED]. Our executive Directors will participate in the strategic planning, business oversight and general management of our Group. They have historically been devoting, and will continue upon [REDACTED] to devote, sufficient time and capacity for the affairs of our Group. Further, our executive Directors will be supported by other independent members of our senior management team.

Notwithstanding that the abovementioned Directors will continue to hold positions in the Private Group, our Directors consider that we are able to manage our business independently from our Controlling Shareholders based on the following reasons:

- (a) Mr. Luan Xiaolong, Mr. Luan Linjiang and Mr. Luan Linxin have confirmed that they will continue to devote sufficient time and attention to the affairs of our Group;
- (b) each of our Directors 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 interests of our Company and the Shareholders as a whole, and do not allow any conflict between his/her duties as a Director and his/her personal interests;

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- (c) pursuant to the Articles of Association of our Company, in the event that a Director or his/her close associate has any material interest in a contract or arrangement to be entered into with our Group, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract, arrangement or any other proposal and shall not be counted in the quorum present at the relevant Board meeting;
- (d) with three independent non-executive Directors out of a total of six Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders. In addition, all members of the audit committee and the majority of the members of the nomination committee, remuneration committee and risk management committee of our Company are independent non-executive Directors;
- (e) save for Mr. Luan Xiaolong, there is no overlapping of other senior management personnel between our Group (as referred in “Directors and Senior Management — Senior Management” in this document) and the Private Group. All such other members of our senior management are independent from the employment by and operations of the Private Group. The responsibilities of our senior management team include overseeing our daily operations, implementing our business strategies and maintaining risk management and internal control matters, which ensure the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (f) connected transactions between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders’ approval (where applicable); and
- (g) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. For further details, please refer to “— Corporate Governance Measures” in this section.

Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources and general administration resources with the Controlling Shareholders and/or their respective close associates. Our Group has also established a set of internal control procedures to facilitate the effective operation of our business.

Our Group is the holder of all relevant licenses and permits material to the operation of our business and has sufficient capital, facilities, equipment and employees to operate our business independently.

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Save as disclosed in this section, “Business — Our Suppliers”, “Business — Our Customers” and “Connected Transactions” in this document, the customers and suppliers of our Group are all independent from our Controlling Shareholders and our Group does not rely on our Controlling Shareholders or their respective close associates and has independent access to customers and suppliers.

During the Track Record Period, Yuanhua Trading (our connected person and one of our major suppliers) has supplied pipes, wall-hung gas boilers and gas stoves to us as our agent. However, for the purpose of [REDACTED] and to demonstrate our operational independence, we confirm that all such related party transactions with Yuanhua Trading have ceased since 30 June 2021, and we undertake not to engage in any such related party transactions with Yuanhua Trading upon [REDACTED].

During the Track Record Period, Jiaoyun Property has been both our customer and supplier. For details, please refer to “Business — Overlapping of Customer and Supplier” in this document. Such transactions are expected to continue after the [REDACTED] and will constitute continuing connected transactions of our Company under the Listing Rules. However, in respect of our subcontracting arrangement with Jiaoyun Property for the provision of construction workers to carry out the gas pipeline construction and installation work to our customers, we will use our best endeavours to engage other Independent Third Parties for carrying out our pipeline construction and installation work for construction projects developed by property developers other than Jiaoyun Property and Guorui Real Estate, insofar as the terms and conditions of such Independent Third Parties are comparable to those offered by Jiaoyun Properties or better.

Please refer to “Connected Transactions” in this document which sets out the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the [REDACTED]. All such transactions are determined after arm’s length negotiations and on normal commercial terms. Save for the continuing connected transactions set out in “Connected Transactions” in this document and “— Transactions Entered Into Before the [REDACTED] Which Would Otherwise Constitute Connected Transactions” in this section, as at the Latest Practicable Date, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective close associates upon completion of the [REDACTED]. Notwithstanding that there are certain transactions with related parties and connected persons of our Company, during the Track Record Period, we have full rights to make all decisions on, and to carry out our own business operations independently of our Controlling Shareholders and their respective close associates. Such continuing connected transactions will not have any negative impact on our operational independence from our Controlling Shareholders and their respective close associates after the [REDACTED].

In light of the above, our Directors are of the view that our Group is capable of operating its business independently from our Controlling Shareholders after the [REDACTED].

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Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders upon [REDACTED]. During the Track Record Period, as we were part of the Private Group, there were certain trade and non-trade related amounts due to/from our Controlling Shareholders or their respective close associates, and guarantees/pledges provided to our Group by our Controlling Shareholders or their respective close associates and vice versa. For further details, please refer to note 32 to the Accountant’s Report included in Appendix I to this document, “Financial Information — Related Party Transactions”, “Business — Regulatory Compliance — Non-compliance incidents — Non-compliant bill financing” and “Business — Regulatory Compliance — Non-compliance incidents — Deviation from Intended Use of Loan Proceeds” in this document. In preparation for the [REDACTED], our Group has undergone financial restructuring such that as at the Latest Practicable Date, all loans and balances due to and from between entities controlled by our Controlling Shareholders and members of our Group have been fully settled, and all guarantees provided by our Controlling Shareholders or their respective close associates to us and by members of our Group to the entities controlled by our Controlling Shareholders have been fully released. Upon [REDACTED], there will be no amount due to or from between entities controlled by our Controlling Shareholders and members of our Group other than the transactions as contemplated under the continuing connected transactions with details set out in “Connected Transactions” in this document. After the financial restructuring mentioned above, internal control measures have been implemented effectively to regulate and monitor the provision of any financial assistance to related parties. We confirm that no member of our Group shall provide or obtain any borrowings, guarantees, pledges or mortgages to or from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders following the [REDACTED] until 31 December 2023.

Given the prepayment nature of our sale of PNG, our Group is intrinsically cash rich, unless there is significant upcoming capital expenditure for new gas pipeline construction and other infrastructure projects relevant to our business.

Moreover, as at the Latest Practicable Date, our Group has demonstrated its ability to raise financings from commercial banks, trust companies and asset management companies by providing self-owned properties as security without any credit support from the Private Group. We accordingly believe that our Group will be able to obtain new financings and renew existing financings from commercial banks, trust companies and asset management companies on comparable terms without guarantee or other security from our Controlling Shareholders and their respective close associates (including the Private Group) following the [REDACTED].

Last but not the least, we have our own accounting and finance department, accounting systems and independent treasury function for cash receipts and payment and independent access to third party financing. Our Directors consider that the finance functions of our Group are therefore independently managed with no reliance on our Controlling Shareholders.

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TRANSACTIONS ENTERED INTO BEFORE [REDACTED] WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into the following transactions with parties who will, upon [REDACTED], become our connected persons. These transactions were entered into before [REDACTED] and are accounted for as one-off in nature under HKFRS 16 “Leases”. If these transactions were entered into after [REDACTED], such transactions would have constituted connected transactions for our Group. Details of the transactions are set out below in order to facilitate potential [REDACTED] to anticipate that we have, before [REDACTED], entered into transactions which would otherwise be considered as connected transactions should our Company be [REDACTED] on the Stock Exchange at the time of the transaction.

Connected Persons

Upon [REDACTED], Mr. Luan Linjiang and Jiaoyun Car Transport, which have entered into the following tenancy agreements with our Group, will be our connected persons. Mr. Luan Linjiang is our substantial Shareholder, who currently holds 33% of our total issued share capital and will hold approximately [REDACTED]% of our total issued share capital immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). He is also our executive Director and chairman of our Board. Hence, Mr. Luan Linjiang is our connected person. Jiaoyun Car Transport, a company established in the PRC with limited liability, is principally engaged in the provision of passenger transportation services in the PRC. It is indirectly held as to approximately 59.61% by Mr. Luan Linjiang and approximately 40.39% by Mr. Luan Xiaolong, therefore, it is an associate of Mr. Luan Linjiang and Mr. Luan Xiaolong and hence a connected person of our Company.

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Tenancy Agreements

On 25 December 2020, we entered into (i) a tenancy agreement with Mr. Luan Linjiang (the “**Refuelling Station Tenancy Agreement**”), (ii) a tenancy agreement with Mr. Luan Linjiang (the “**Warehouse Tenancy Agreement**”), and (iii) a tenancy agreement with Jiaoyun Car Transport (the “**Office Tenancy Agreement**”, together, the “**Tenancy Agreements**”). The principal terms of the Tenancy Agreements are set out below:

	<u>Refuelling Station Tenancy Agreement</u>	<u>Warehouse Tenancy Agreement</u>	<u>Office Tenancy Agreement</u>
Date of agreement	25 December 2020	25 December 2020	25 December 2020
Parties	Jiaoyun Gas (as tenant) and Mr. Luan Linjiang (as landlord)	Jiaoyun Gas (as tenant) and Mr. Luan Linjiang (as landlord)	Jiaoyun Gas (as tenant) and Jiaoyun Car Transport (as landlord)
Properties	A parcel of land and the properties thereon, including refuelling station facilities and buildings, located at south to Liquan Avenue and west to Xiaoxin River, Chaoyang Street, Gaomi City, Shandong Province, the PRC (the “ Refuelling Station Property ”)	A parcel of land and the warehouse thereon located at south to Liquan Avenue and west to Xiaoxin River, Chaoyang Street, Gaomi City, Shandong Province, the PRC (the “ Warehouse Property ”)	An office building located at No. 2568, West Shi’an Road, Mishui Street, Gaomi City, Shandong Province, the PRC (the “ Office Property ”)
Term of lease	Three years commencing from 1 January 2021 to 31 December 2023	Three years commencing from 1 January 2021 to 31 December 2023	Three years commencing from 1 January 2021 to 31 December 2023
Total rent	RMB590,520 (2021: RMB192,960; 2022: RMB196,800; 2023: RMB200,760)	RMB393,680 (2021: RMB128,640; 2022: RMB131,200; 2023: RMB133,840)	RMB620,700 (2021: RMB202,800; 2022: RMB206,900; 2023: RMB211,000)
Use of the property	Refuelling station	Warehouse	Office

For details of our leased properties abovementioned, please refer to “Business — Properties — Leased Properties” in this document.

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Historical Transaction Amounts

For each of the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, the total amounts of rent paid by us under the Tenancy Agreements are set out below:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Refuelling Station Tenancy Agreement	138	138	186	63
Warehouse Tenancy Agreement	91	91	118	60
Office Tenancy Agreement	138	138	177	40

The annual rents were determined by the parties through arm’s length negotiations with reference to the rentable area of each of the Refuelling Station Property, Warehouse Property and Office Property leased to our Group under the Tenancy Agreements. The slight increase in annual rent for each of the Tenancy Agreements as compared to the historical transaction amounts for the years ended 31 December 2019 and 2020 is due to adjustment of rent to account for inflation and the increase in rent for properties in the vicinity.

Estimated value of the right-of-use assets

Pursuant to HKFRS 16, our Group is required to recognise a right-of-use asset representing its right to use the underlying leased assets in relation to the Tenancy Agreements. Based on the information currently available to our Company, the estimated value of the right-of-use asset in respect of the Refuelling Station Tenancy Agreement, the Warehouse Tenancy Agreement and the Office Tenancy Agreement was approximately RMB1,934,000, RMB363,000 and RMB573,000, respectively as of 1 January 2021.

Listing Rules implications

Pursuant to HKFRS 16, the entering into each of the Tenancy Agreements as a lessee will require our Group to recognise the each of the properties under the Tenancy Agreements as the right-of-use-asset in our consolidated statements of financial position. The entering into of each of the Tenancy Agreements with a fixed term and the transaction contemplated thereunder will be regarded as a one-off acquisition of capital asset for the purpose of the Listing Rules. As each of the Tenancy Agreements was entered into prior to [REDACTED] and the transaction thereunder is one-off in nature, the payment of rental contemplated thereunder will not be classified as a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transaction under each of the Tenancy Agreements will not be subject to any of the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of

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the Listing Rules. In the event that there is any material change to the terms and conditions of any of the Tenancy Agreements, we shall comply with the Listing Rules as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effectuating such change.

[REDACTED]

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;
- (c) the management structure of our Group includes audit committee, remuneration committee, nomination committee and risk management committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly;

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- (d) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors and Senior Management — Board of Directors — Independent Non-executive Directors” in this document;
- (e) we have appointed China Industrial Securities International Capital Limited as our compliance adviser, 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; and
- (f) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better, on terms that are fair and reasonable, and such transactions are in the interests of our Company and our Shareholders as a whole.