
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Mr. Xu, Ms. Li and Ms. Liu are family members, with Mr. Xu and Ms. Li being spouses and Ms. Liu being Mr. Xu’s mother-in-law. Immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the [REDACTED] Share Scheme), our ultimate Controlling Shareholders, namely Mr. Xu, Ms. Li and Ms. Liu, by virtue of the Acting in Concert Deed, will be entitled to exercise voting rights of approximately [REDACTED]% of the total issued share capital of our Company through the investment holding companies controlled by them. Lecang Fantasy is wholly owned by Lecang Boundless, which is in turn wholly owned by Mr. Xu. Lecang Altitude is wholly owned by Grand Sailing, which is in turn wholly owned by Mr. Xu. Lecang Shining is wholly owned by Peace Seaworld, which is in turn wholly owned by Ms. Li. Lecang Flourishing is wholly owned by Spring Wealth, which is in turn wholly owned by Ms. Liu. Glorious Sailing is owned as to approximately 79.53% by Mr. Xu (the sole director of Glorious Sailing), 4.96% by Ms. Zhu Jiali (our executive Director), 3.97% by Mr. Zhang Feng (our senior management member), 0.50% by Ms. Ding Sujun (丁素君) (our joint company secretary) and 11.04% by other 10 existing employees of our Group, each of whom is an Independent Third Party. By virtue of the Acting in Concert Deed, Mr. Xu (the ultimate beneficial owner of Lecang Fantasy and Lecang Altitude and the ultimate controller of Glorious Sailing), Ms. Li (the ultimate beneficial owner of Lecang Shining) and Ms. Liu (the ultimate beneficial owner of Lecang Flourishing) control the exercise of more than 30% of the voting power at general meetings of our Company through Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing, and Glorious Sailing, respectively. Accordingly, Mr. Xu, Ms. Li, Ms. Liu, Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing constitute a group of our Controlling Shareholders under the Listing Rules.

Each of Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing is an investment holding company. Mr. Xu, one of our ultimate Controlling Shareholders, is our executive Director, chief executive officer, president and chairman of our Board. Ms. Li, one of our ultimate Controlling Shareholders, is our executive Director and vice president. For further background of Mr. Xu and Ms. Li, see “Directors and Senior Management – Board of Directors – Executive Directors.” Ms. Liu, one of our ultimate Controlling Shareholders, is one of our [REDACTED] Investors. For Ms. Liu’s further background, see “History, Reorganization and Corporate Structure – [REDACTED] Investments – Information relating to our [REDACTED] Investors.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

ACTING IN CONCERT DEED

On October 15, 2022, our ultimate Controlling Shareholders, Mr. Xu, Ms. Li and Ms. Liu, executed the Acting in Concert Deed, pursuant to which each of Mr. Xu, Ms. Li and Ms. Liu agreed and confirmed that from the date they became the registered owners, the ultimate controllers and/or beneficial owners of the equity interests in our Group to the date when any of them ceases to be our Controlling Shareholder: (a) they had been and would continue to be parties acting in concert and they had agreed to consult with each other and reach a unanimous consensus among themselves before the decision, implementation and agreement on all material management affairs, votings and/or commercial decisions, including but not limited to financial and operational matters, of any member of our Group; (b) they had casted and would continue to cast their votes as directors and/or shareholders (as the case may be) unanimously for or against all resolutions in all board and shareholders’ meetings and discussions of any member of our Group; and (c) they had cooperated and would continue to cooperate with one another to acquire, maintain and consolidate the control and management of our Group.

DELINEATION OF BUSINESS

Each of our Directors and our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, none of them or any of their respective close associates had interests in any business, other than our business, which competes, or is likely to complete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

Having considered the following factors, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED] for the following reasons:

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. As of the Latest Practicable Date, save for Mr. Xu who acts as a director in Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Lecang Shining, Lecang Flourishing and Glorious Sailing (each being a Controlling Shareholder) and Ms. Li who acts as a director in Peace Seaworld (being a Controlling Shareholder), none of our Directors or members of our senior management team holds any position at our Controlling Shareholder or their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Despite the overlapping roles assumed by Mr. Xu and Ms. Li as illustrated above, when performing his/her duties in our Group, he/she has been and will continue to be supported by the separate and independent board and/or senior management team of our Group. Moreover, Lecang Boundless, Lecang Fantasy, Grand Sailing, Lecang Altitude, Peace Seaworld, Lecang Shining, Spring Wealth, Lecang Flourishing and Glorious Sailing are merely investment holding companies and do not engage in other business activities. As such, we believe that our Board as a whole and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the Controlling Shareholders and their respective close associates.

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 best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is any potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholders.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED]. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

Licences required for operation

We hold all relevant licences necessary to carry on our current business independently from our Controlling Shareholders and/or their respective close associates.

Access to customers, suppliers and business partners

We have a diversified base of customers that are independent to our Controlling Shareholders and their respective close associates. During the Track Record Period, our customers generally included manufacturers and trading companies and freight forwarders, which are independent from our Controlling Shareholders. In addition, we have independent access to suppliers and business partners as well.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational facilities and administration

As of the Latest Practicable Date, our Company operated and maintained properties, facilities and equipment necessary to our business operations that are independent from our Controlling Shareholders and their respective close associates.

Employees

As of the Latest Practicable Date, all of our full-time employees were recruited independently from our Controlling Shareholders and their respective close associates and primarily through both internal referrals and external sources such as recruiting websites and third-party recruiters.

Financial Independence

All loans, advances and balances due to or from the Controlling Shareholders or their close associates which did not arise out of the ordinary course of business will be fully repaid or settled before the [REDACTED]. We will not have any share pledge and guarantee provided by or to our Controlling Shareholders and their respective close associates on the borrowings of our Group upon the [REDACTED].

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, our Directors are of the view that our Group is capable of maintaining financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in our Shareholders' best interests as a whole and is fully aware of the compliance of Rule 8.10 of the Listing Rules. Our Directors believe that there are adequate corporate governance measures in place to manage existing or potential conflicts of interest. In particular, 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 provides 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/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We [have appointed] three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see “Directors and Senior Management—Board of Directors—Independent non-executive Directors.”
- (c) we have established internal control mechanisms to identify conflict of interest and connected transactions. 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 the Board is specifically requested by a majority of the independent non-executive Directors. In the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group and our Controlling Shareholders, our Controlling Shareholders and/or our Company shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either in its annual report or by way of announcements;
- (d) we have appointed Dongxing Securities (Hong Kong) Company 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; and
- (e) upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or their associates, our Company will comply with the Listing Rules. In addition, 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 either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.