
RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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Pursuant to the Previous Deed of AIC entered into between Mr. Wang, the principal founder of our Group, our executive Director, chief executive officer and chairman of the Board, and Mr. Chen, our executive Director (together the “**Concerted Parties**”) on July 20, 2015, which upon expiry was succeeded by the Deed of AIC entered into between Mr. Wang and Mr. Chen on July 18, 2019 with a term until July 17, 2023 (both such deeds together, the “**Deeds of AIC**”), (i) Mr. Wang and Mr. Chen had agreed to consult each other and reach a unanimous consensus between themselves on the subject matters of any shareholders’ resolutions or board resolutions of our Company to be passed pursuant to applicable constitutional documents or applicable laws and regulations during the period each party remains a shareholder of our Company, and (ii) where a consensus cannot be reached, the matter shall be decided by the individual who holds more Shares. For more details of the Deeds of AIC, see “History and Development — Information on Our Group — Our Company.”

As at the Latest Practicable Date, the Concerted Parties collectively held and controlled the voting rights attached to approximately 21.99% of our Company’s total number of issued Shares. Immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account the Domestic Shares which may be issued upon the exercise of the options which were granted under the Pre-[REDACTED] Incentive Scheme), the Concerted Parties will collectively hold and control the voting rights attached to approximately [REDACTED]% of our Company’s total number of issued Shares. Accordingly, the Concerted Parties will be our Single Largest Group of Shareholders upon [REDACTED], and our Company will not have any controlling shareholder as defined under the Listing Rules upon [REDACTED].

For details of Mr. Wang and Mr. Chen, please refer to “Directors, Supervisors and Senior Management — Directors.”

COMPETING INTERESTS

Each of our Single Largest Group of Shareholders and Directors confirms that he/she or his/her respective close associates do not have 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, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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

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Management Independence

The day-to-day management of the business of our Group rested primarily with our Board and our senior management as of the Latest Practicable Date. Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors, and our Group has two senior management (who are not Directors). Although Mr. Wang is the chairman of the Board, our chief executive officer, executive Director and also a member of the Single Largest Group of Shareholders, and Mr. Chen is our executive Director and also a member of the Single Largest Group of Shareholders, our management and operational decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industries in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. See “Directors, Supervisors and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board and provide independent advice to our Board committees. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting. Any connected transactions between our Group and our Single Largest Group of Shareholders or their respective associates will be subject to the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders’ approval (if applicable) for a connected transaction as appropriate. We have established an internal control mechanism 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.

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

Operational Independence

Despite that the Concerted Parties will continue to hold a substantial interest in our Company and will be our Single Largest Group of Shareholders after the [REDACTED], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Single Largest Group of Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, technology, equipment, accesses to customers and suppliers, and employees to operate our business independently from our Single Largest Group of Shareholders. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. None of our company secretary, operational personnel or administrative personnel is under the employment of our Single Largest Group of

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Shareholders or their respective close associates. We have also established a set of internal control measures to facilitate the effective operation of our business. For details of our Group’s risk management and internal control systems, please refer to “Business — Risk Management and Internal Control.”

Our Directors do not expect that there will be any other significant transactions between our Group and our Single Largest Group of Shareholders upon or shortly after the [REDACTED].

Based on the above, our Directors are satisfied that we have been operating independently from our Single Largest Group of Shareholders and their close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system and we make financial decisions independently according to our own business needs. We have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Single Largest Group of Shareholders or their close associates. In addition, our Group has sufficient capital and credit facilities to operate our business independently, and has adequate internal resources and credit profile to support our daily operations. We do not rely on our Single Largest Group of Shareholders and/or their close associates by virtue of their provision of financial assistance.

Our Directors confirm that all non-trade amounts due to or from, and loans or guarantees provided by our Single Largest Group of Shareholders and their respective close associates, will be fully repaid or released before the [REDACTED]. As at the Latest Practicable Date, the amount of total borrowings and lease liabilities of our Group which involved guarantees from our Single Largest Group of Shareholders was approximately RMB90.6 million. For further details of guarantees provided by our Single Largest Group of Shareholders during the Track Record Period, see Note 36 to the Accountant’s Report as set out in Appendix I. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Single Largest Group of Shareholders.

With respect to any future financial assistance to be provided to, or received from, our connected persons, including our Single Largest Group of Shareholders, our Group shall comply with the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders’ approval as appropriate, and undertake to provide or receive such financial assistance on normal commercial terms or better.

Based on the above, our Directors believe that we have the ability to operate independently from our Single Largest Group of Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Single Largest Group of Shareholders and their respective close associates.

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CORPORATE GOVERNANCE MEASURES

Each of the members of our Single Largest Group of Shareholders has confirmed that he fully comprehends his obligations to act in our Shareholders’ and our best interests as a whole. 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 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;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close 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;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including 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 of 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. Details of our independent non-executive Directors are set out in “Directors, Supervisors and Senior Management — Directors — Independent Non-executive Directors”;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Single Largest Group of Shareholders and/or our Directors on the other hand, our Single Largest Group of Shareholders and/or our Directors 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 through our annual report or by way of announcements;
- (e) pursuant to the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s expense; and
- (f) we have appointed China Securities (International) Corporate Finance Company 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.