
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As of the Latest Practicable Date, Mr. Xu controlled approximately 17.9576% of our total issued share capital through Dream Galaxy. Immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Share are issued under the [REDACTED] Share Plan), Mr. Xu, through Dream Galaxy, will exercise the voting rights of approximately [REDACTED]% of shareholding interest in our Company.

Pursuant to consent letters executed in April 2024 and confirmation letters executed in June 2024, Dream Galaxy was conferred by the Consenting Shareholders to exercise their respective voting rights attached to [REDACTED] Shares held by them, representing approximately [REDACTED]% of shareholding interest in our Company immediately following the completion of the [REDACTED]. The relevant voting rights in concern under the voting proxy arrangements will be conferred to Dream Galaxy upon completion of the [REDACTED]. See “History, Development and Corporate Structure – Voting Proxy Arrangements” for details.

Therefore, immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Plan), Mr. Xu, through Dream Galaxy, a company wholly owned by Mr. Xu, by virtue of his shareholding together with the voting proxy conferred upon him by the Consenting Shareholders as mentioned above, will exercise the voting rights attached to [REDACTED] Shares in aggregate, representing approximately [REDACTED]% of shareholding interest in our Company. Therefore, Dream Galaxy and Mr. Xu will be our Controlling Shareholders after the [REDACTED].

Please see the section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, none of the Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

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

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors of whom Mr. Xu is our Controlling Shareholder as detailed above. For details, please see the section headed “Directors and Senior Management.”

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Our Directors consider 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 close associates. We consider that the role of Mr. Xu as our Controlling Shareholder will not materially impact his ability to discharge his duties of skill, care and diligence to our Group for the following reasons:

- (a) each Director 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 interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) 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) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Group is operationally independent from the Controlling Shareholders. Our Group (through our subsidiaries and Consolidated Affiliated Entities) holds all material licenses and owns all relevant intellectual properties necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

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Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that we are financially independent from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules, which 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.

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

1. our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or their associates, our Company will comply with the applicable Listing Rules;
2. where a Shareholders' meeting is to be held for considering proposed transactions in which a Controlling Shareholder or its associates have any material interest, the relevant Controlling Shareholder shall not vote on the resolutions and shall not be counted in the quorum for the voting;
3. our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management" individually and together possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interest of our minority Shareholders;
4. where the advice from an independent professional, such as that from a financial advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expenses; and

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5. we have appointed Shenwan Hongyuan Capital (H.K.) 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 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 to protect minority shareholders' rights after the [REDACTED].