

## **RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP**

### **OUR SINGLE LARGEST SHAREHOLDERS GROUP**

Immediately before completion of the [REDACTED], Mr. Lu (directly and through Yueqing Aoji Growth IV<sup>(1)</sup>, an entity controlled by Mr. Lu) and Mr. Ze owned 19.43% and 11.22% of the issued share capital of our Company, respectively, and pursuant to the concert party agreement entered into by Mr. Lu and Mr. Ze on March 6, 2015 and renewed on March 1, 2019, together they are collectively entitled to exercise control of approximately 30.65% voting powers of our Company. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV will hold approximately [REDACTED]% of our enlarged issued share capital. Accordingly, Mr. Lu, Mr. Ze and Yueqing Aoji Growth IV will be our Single Largest Shareholders Group upon [REDACTED].

### **INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDERS GROUP**

Our Directors consider that we are capable of carrying on our business independently from our Single Largest Shareholders Group and their respective close associates after [REDACTED], taking into consideration the factors below.

#### **Management Independence**

Our Board consists of nine Directors, namely three executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. Lu is an executive Director, chairperson of the Board and chief executive officer. Mr. Ze is also an executive Director.

Our Directors consider that we are able to carry on our business independently from our Single Largest Shareholders Group from a management perspective for the following reasons:

- (a) 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. For details of the industry experience of our senior management team, please refer to the section headed “Directors, Supervisors and Senior Management” in this document;
- (b) 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 our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

*Note:*

- (1) Yueqing Aoji Growth IV is owned as to approximately i) 96.43% by Mr. Lu as its executive partner and ii) 3.01% by Mr. Hu Dianfeng (胡典峰), the brother-in law of Mr. Lu; and iii) 0.56% by Ms. Lu Ji (陸冀), the sister of Mr. Lu. As Mr. Hu Dianfeng and Ms. Lu Ji are not involved in the management of Yueqing Aoji Growth IV, and are only entitled to the passive economic interest in Yueqing Aoji Growth IV, Mr. Hu Dianfeng and Ms. Lu Ji should not be treated as Single Largest Shareholders Group of our Company.

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- (c) Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with our Single Largest Shareholders Group or each of their close associates; (b) our independent non-executive Directors account for one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience as independent directors of listed companies and will be able to provide professional advice to our Company. In conclusion, our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and
- (d) We will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage potential conflicts of interest, if any, between our Group and our Single Largest Shareholders Group, which would support our independent management. For details, please see “— Corporate Governance Measures” in this section.

### **Operational Independence**

We do not rely on our Single Largest Shareholders Group and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Single Largest Shareholders Group and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Shareholders Group and their respective close associates.

### **Financial Independence**

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Single Largest Shareholders Group and their respective close associates for financing after [REDACTED] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [REDACTED] from the [REDACTED]. In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Single Largest Shareholders Group and their respective close associates. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of our Single Largest Shareholders Group and their respective close associates.

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As of the Latest Practicable Date, we confirm that there is no financial assistance provided by our Single Largest Shareholders Group to our Group and vice versa.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Single Largest Shareholders Group and their respective close associates after [REDACTED].

### **CORPORATE GOVERNANCE MEASURES**

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

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

- (a) Where a Shareholders' meeting is held for considering proposed transactions in which our Single Largest Shareholders Group have a material interest, our Single Largest Shareholders Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.
- (b) 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 relevant resolutions and shall not be counted in the quorum for the voting.
- (c) In the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Single Largest Shareholders Group, our Single Largest Shareholders Group 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 reports or by way of announcements.
- (d) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules.
- (e) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules.
- (f) We have appointed Red Solar Capital 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.

Based on the above, our Directors are satisfied that the above corporate governance measures are sufficient to manage the potential conflicts of interest between our Group and our Single Largest Shareholders Group and/or other Directors to protect minority Shareholders' rights after [REDACTED].