

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

### **OUR CONTROLLING SHAREHOLDERS**

Our Controlling Shareholders consist of Mr. Yao (our executive Director), Mr. Yao Zhongxing (姚中興) (our chairman of the Board and executive Director), Ms. Huang Liying (黃麗英) (our executive Director) and Changzhou Zhongxin. For the biographical information of Mr. Yao, Mr. Yao Zhongxing and Ms. Huang Liying, see “Directors and Senior Management” in this document. Mr. Yao Zhongxing and Ms. Huang Liying are parents of Mr. Yao. Mr. Yao, Mr. Yao Zhongxing and Ms. Huang Liying are regarded as a group of Controlling Shareholders of our Company on the basis of the fact that Mr. Yao, Mr. Yao Zhongxing and Ms. Huang Liying hold part of their shareholding interests collectively in our Company indirectly via a common investment holding company (namely Changzhou Zhongxin) and therefore be presumed to be a group of Controlling Shareholders.

As of the Latest Practicable Date, the Controlling Shareholders were able to exercise approximately 94.4% voting rights in our Company, comprising (i) 80,694,935 Shares (representing approximately 89.3% of the issued Share capital of our Company held by Changzhou Zhongxin, which is a limited liability company established under the laws of the PRC and is held as to 73.2%, 11.6% and 15.2% by Mr. Yao, Mr. Yao Zhongxing and Ms. Huang Liying, respectively and (ii) 4,684,854 Shares (representing approximately 5.2% of the issued Share capital of our Company) held directly by Mr. Yao.

Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders will be entitled to exercise approximately [REDACTED] voting rights in our Company. Therefore, the Controlling Shareholders will remain as our Controlling Shareholders upon the [REDACTED].

The Controlling Shareholders confirmed that, as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Company, 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 CONTROLLING SHAREHOLDERS**

Our Directors consider that, notwithstanding the fact that two of our executive Directors, namely Mr. Yao Zhongxing (姚中興) and Ms. Huang Liying (黃麗英), hold overlapping directorship or other positions in Changzhou Zhongxin, we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED], taking into consideration of the factors below.

#### **Management Independence**

Our Board consists of nine Directors, including six executive Directors and three independent non-executive Directors. We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders for the following considerations:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts 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;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) 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 close associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;
- (c) we have appointed three independent non-executive Directors, comprising one-third of the total members of our Board, who have sufficient knowledge, experience and competence with a view to bringing independent judgment to the decision-making process of our Board; and
- (d) connected transactions between our Group and our Controlling Shareholders or their respective associates, if any, are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and Shareholders' approval (where applicable).

Based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders after the [REDACTED].

### **Operational Independence**

Our Company makes business decisions independently. Our Company and our subsidiaries hold all relevant licences necessary to carry on our businesses and have sufficient capital, equipment and employees to operate its businesses independently.

Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

- (a) there is no competing business between our Group and any of our Controlling Shareholders;
- (b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (c) we have our own independent operation capabilities and independent access to customers; and
- (d) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments).

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs.

We have sufficient working capital to operate our business independently and have adequate resources to support our daily operations. We are financially independent of our Controlling Shareholders and their respective close associate.

During the Track Record Period, some of our Controlling Shareholders provided certain guarantees and personal insurance for bank borrowings of our Group. See Note 26 of the Accountants’ Report set out in Appendix I to this document for details. As confirmed by the Company and our Directors, all guarantees and personal insurance provided by the relevant Controlling Shareholders will be fully released before the [REDACTED].

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

### CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Board meeting is held for the matters in which any Director or his/her associates have a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders or their close associates will not vote on the relevant resolutions and shall not be counted in the quorum for the voting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (d) our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing one-third of our Board 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 individually and collectively possess the requisite knowledge and experience to perform their duties. 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 interests of our minority Shareholders;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (f) we have appointed South China Capital Limited as our compliance advisor to 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 believe that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders and to protect our Shareholders’ interests as a whole after the [REDACTED].