
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Rayson Management will be entitled to control [REDACTED]% of the voting rights of our Company. Rayson Management is owned as to 32.50% by Mr. Wen Jianwei, our executive Director, chairman of our Board and general manager, 17.50% by Mr. Wen Jianxiong, our former Director, and 50.00% by Chuangjia Yongli which is in turn held as to 65.00% by Mr. Wen Jianwei. Jingmiaocun, one of our ESOP Platforms, will be entitled to control [REDACTED]% of the voting rights of our Company and is managed by Mr. Wen Jianwei as its general partner. Rayson Erhao, one of our ESOP Platforms, will be entitled to [REDACTED]% of the voting rights of our Company and is managed by Mr. Wen Jianwei as its general partner. As such, Mr. Wen Jianwei, Rayson Management, Chuangjia Yongli, Jingmiaocun and Rayson Erhao are expected to be entitled to exercise an aggregate of approximately [REDACTED]% voting rights in our Company and will be our Controlling Shareholders as defined in the Listing Rules upon [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our Board comprises nine Directors, including four executive Directors, one non-executive Director and four 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;
- (b) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details of the industry experience of our senior management, see “Directors, Supervisors and Senior Management” in this document;
- (c) we have appointed four independent non-executive Directors, comprising more than 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;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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 a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; 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. For further details, please refer to the paragraph headed “Corporate Governance Measures” in this section.

In light of the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate independently from our Controlling Shareholders and their close associates. We hold all the requisite licenses, intellectual property rights and qualifications that are material to carry on our principal business. We also have independent access to suppliers and customers and have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates.

Based on the above, our Directors believe that we will be able to operate independently from our Controlling Shareholders and their close associates.

Financial Independence

As of the Latest Practicable Date, our Group’s loans of up to RMB2,704.61 million were guaranteed by, among others, our Controlling Shareholders. Our Directors confirmed that all such guarantees will be released before [REDACTED]. The Directors further confirmed that our Group does not have any intention to seek Controlling Shareholders to provide securities or guarantees in favour of our borrowings in the foreseeable future. Further, we have an independent financial system and we make financial decisions according to our own business needs. We have established an independent finance department with a team of financial staff and an independent audit, accounting and financial management system. Based on the above, our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders and carrying on our business independently of and do not place undue reliance on our Controlling Shareholders and their close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

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 Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholders or their associate will not vote on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) 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;
- (c) our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than 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;
- (d) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- (e) we have appointed Altus Capital Limited as our compliance adviser 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].

INTEREST IN COMPETING BUSINESS OF OUR CONTROLLING SHAREHOLDERS AND THE DIRECTORS

None of the members of our Controlling Shareholders or our Directors was, as of the Latest Practicable Date, interested in or engaged in any business, other than our Company, which, competes or is likely to compete, either directly or indirectly, with our Group’s businesses and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.