
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, our Company was held as to (i) approximately 40.66% by Shanghai Yirui, which was controlled by Zibo Heyi through Zibo Weilan, Zibo Xinye and Zibo Chuangyue, (ii) approximately 34.18% by Patrick Choay SAS, which was controlled by Dr. Patrick Henri Jean Choay (iii) approximately 10.17% by Zibo Zhongce, Zibo Zhongjie, Zibo Zhongcheng, Zibo Zhonghui, Zibo Zhonghe and Zibo Zhongyue, each of which was controlled by Zibo Heyi, and (iv) approximately 9.99% by Shanghai Zhuanjingle, which was controlled by Mr. Ji. Zibo Heyi was owned as to 55% by Mr. Ji, 20% by Mr. Zou Peng, 12.5% by Ms. Wang Huimin and 12.5% by Mr. Tian Xiaolei.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), (i) Mr. Ji, Mr. Zou Peng, Ms. Wang Huimin and Mr. Tian Xiaolei, through Zibo Heyi, exercises [REDACTED]% of the voting rights at the general meetings of the Company, (ii) Mr. Ji, through Shanghai Zhuanjingle, exercises [REDACTED]% of the voting rights at the general meetings of the Company, and (iii) Dr. Patrick Henri Jean Choay, through Patrick Choay SAS, exercises [REDACTED]% of the voting rights at the general meetings of the Company. Upon [REDACTED], Mr. Ji, Mr. Zou Peng, Ms. Wang Huimin, Mr. Tian Xiaolei, Shanghai Yirui, Zibo Heyi, Zibo Weilan, Zibo Xinye, Zibo Chuangyue, Shanghai Zhuanjingle, Zibo Zhongce, Zibo Zhongjie, Zibo Zhongcheng, Zibo Zhonghui, Zibo Zhonghe and Zibo Zhongyue will constitute a group of our Controlling Shareholders under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Each of the Controlling Shareholders confirms that he/she/it does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with the Group’s business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Upon [REDACTED], our Board will comprise nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made collectively by our Board and senior management, most of whom have served our Group for a significant period and have substantial and extensive relevant industry experience and expertise as set out in “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

- (i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;
- (ii) our Company has established internal control mechanisms 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 pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;

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- (iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close 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
- (iv) 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 to provide a balance of the potentially interested Directors and independent Directors with a view to safeguard the interests of our Company and the Shareholders as a whole.

Based on the above, our Directors are of the view that our Group is capable of managing our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational Independence

We operate independently of our Controlling Shareholders and their respective close associates. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Controlling Shareholders and their respective close associates. We have independent access to suppliers and customers. We are also in possession of the assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we will be able to operate independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Financial Independence

We have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an audit committee comprising of two independent non-executive Directors and one non-executive Director to oversee our accounting and financial reporting processes. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Controlling Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

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

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In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders and their respective close associates:

- (i) where a transaction or arrangement of our Company is subject to Shareholders’ approval under the provisions of the Listing Rules, any Controlling Shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting;
- (ii) where a Board meeting is held for the matters in which any Director has 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;
- (iii) 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 any of their associates, our Company will comply with the applicable requirements under the Listing Rules;
- (iv) we are committed that our Board shall include a balanced composition of executive Directors 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 experiences and 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 Shareholders as a whole. For details of our independent non-executive Directors, see “Directors and Senior Management” in this document;
- (v) where our Directors reasonably request for the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (vi) we have appointed Yue Xiu Capital Limited as our compliance advisor, who 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 sufficient corporate governance measures have been put in place to manage any conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].