
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Ju, the chairman of our Board, an executive Director and general manager of our Company, was interested in and entitled to control approximately 42.62% of the voting rights in our Company through (i) 67,128,893 Unlisted Shares beneficially owned by Mr. Ju, representing approximately 19.74% of the total share capital of our Company; and (ii) a total of 77,795,758 Unlisted Shares held by Ningbo Fusisheng, Ningbo Yanga, Ningbo Yanjia and Ningbo Liangsheng in his capacity as sole general partner of each of them, representing approximately 22.88% of the total share capital of our Company. As of the Latest Practicable Date, Mr. Ju held approximately 0.0069%, 0.0317%, 0.0001% and 0.0001% of the limited partnership interests in Ningbo Fusisheng, Ningbo Yanga, Ningbo Yanjia and Ningbo Liangsheng, respectively. Furthermore, Ms. Xiao (the spouse of Mr. Ju) held approximately 1.25%, 94.95%, 30.14% and 6.28% of the limited partnership interests in Ningbo Fusisheng, Ningbo Yanga, Ningbo Yanjia and Ningbo Liangsheng, respectively, as of the Latest Practicable Date. Accordingly, Mr. Ju, Ms. Xiao, Ningbo Fusisheng, Ningbo Yanga, Ningbo Yanjia and Ningbo Liangsheng together constitute the Controlling Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders will in the aggregate be interested in [REDACTED] H Shares (representing approximately [REDACTED]% of our total issued share capital, assuming the [REDACTED] is not exercised) and will therefore remain as a group of our Controlling Shareholders pursuant to the Listing Rules.

For further details of Mr. Ju and the Employee Shareholding Platforms, please refer to the sections headed “History, Development and Corporate Structure — Our Employee Shareholding Platforms” and “Directors and Senior Management” in this Document.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that 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 from our Controlling Shareholders and their close associates after the [REDACTED].

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Management Independence

Upon [REDACTED], our Board will consist of nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Although Mr. Ju is an executive Director, our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. Also, Mr. Ju has a track record of devoting sufficient time and energy to discharge his duties as our Director and senior management and he will continue to focus on our Group’s business. When performing his duties as a Director, he has been and will continue to be supported by the separate and senior management team of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board. See “Directors and Senior Management” for further details.

In addition, although Mr. Ju is one of our Controlling Shareholders, our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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
- (v) 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. 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.

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Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective associates after the [REDACTED]:

- (i) we hold all relevant intellectual properties and research and development facilities necessary to carry out our business;
- (ii) we are the holder of all relevant licenses material to the operation of our business;
- (iii) we have independent access to our customers and suppliers;
- (iv) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (v) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (vi) none of our Controlling Shareholders or their respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

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

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. Moreover, our Group opens and manages bank accounts independently, and has never shared any bank account with our Controlling Shareholders. Our Group has independent taxation registration according to the relevant laws, and makes tax payments independently according to the applicable PRC taxation laws and regulations. Our Group has never made any tax payment jointly with our Controlling Shareholders or any other entities controlled by them.

As of the Latest Practicable Date, there is no outstanding loan, advance, balance of non-trade nature due to or from, or pledge or guarantee provided or extended by our Controlling Shareholders and/or their close associates to us. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. We had received the [REDACTED] from various third-party investors independently. For details of the [REDACTED], see “History, Development and Corporate Structure — [REDACTED].”

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

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CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

Under the Articles of Association, extraordinary general meetings of our Company may be convened on the written requisition of any one or more members holding, as of the date of deposit of the requisition, in aggregate not less than one-tenth of the issued shares of our Company. In addition, pursuant to the Shareholder communication policy to be adopted by our Company upon [REDACTED], Shareholders are encouraged to put governance related matters to our Directors and to our Company directly in writing.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (i) under the Articles of Association, 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, the Controlling Shareholders or associates will not vote on the relevant resolutions;
- (ii) 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 its associates, our Company will comply with the applicable Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (v) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (vi) 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 expense;

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- (vii) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (viii) we have established our audit committee, remuneration and appraisal committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied 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 minority Shareholders’ interests after the [REDACTED].