
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), the Company shall be held as to [REDACTED]% and [REDACTED]% by Guangjun Sun Holdings and Guangjun Holdings respectively. Guangjun Holdings is owned as to 99% by Summit Plus (which in turn is wholly-owned by Mr. Sun’s Family Trust which is a discretionary trust set up for the benefit of Mr. Sun and Junshu Holdings) and 1% by Junshu Holdings respectively. Guangjun Sun Holdings is wholly-owned by Junshu Holdings Limited, which in turn is wholly-owned by Mr. Sun. Accordingly, Mr. Sun, Junshu Holdings, Guangjun Sun Holdings, Summit Plus Holdings and Guangjun Holdings will be our Controlling Shareholders upon the [REDACTED].

COMPETITION

As of the Latest Practicable Date, each of our Controlling Shareholders (including his/its respective close associates (other than members of our Group)) and Directors confirms that he/it does not have any interest in a business, other than the business of our Group, which competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to 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 out our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Management independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or 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 Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates has a material interest and shall not be counted in the quorum presenting at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgement to the decision-making process of our Board. For details on the biographies of our independent non-executive Directors, see “Directors and Senior Management”.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently and capable of managing our business independently from the Controlling Shareholders after the [REDACTED].

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders and their respective close associates for following reasons:

- (i) our Group possesses sufficient capital, technology and human resources to operate its business independently, and holds all the relevant material licences, qualifications, intellectual properties and permits required for conducting that are necessary for our business;

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- (ii) our Group has an established and complete organisational structure, comprising various separate departments each charged with specific responsibilities;
- (iii) our Group has independent access to our customers, who are predominantly Independent Third Parties;
- (iv) our Group also has independent access to, among others, suppliers, brand partners and other resources required for our Group’s business and has not relied on the supplies from the Controlling Shareholders and/or their close associates, and we operate our business independently, with independent rights to make and implement our operational decisions;
- (v) we maintain a set of internal control procedures to facilitate the effective operation of our business. For details on the internal control procedures, see “Business — Risk management and internal controls”; and
- (vi) we have adopted a set of corporate governance practices and manuals, such as rules with respect to the shareholders’ meeting, the board meeting, the board committees’ meeting and the conduct of connected transactions, pursuant to relevant laws and regulations, to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective close associates. Our Directors confirm that our Group will be able to operate independently from our Controlling Shareholders and their close associates upon the [REDACTED].

Financial independence

We have established our own finance department with a team of independent financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders. We can make financial decisions independently according to our business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders who do not intervene with our use of funds. Our Group makes tax registration and pays tax independently with our own funds. We have also established an independent and sound audit system, a standardised financial and accounting system and a complete financial management system. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We have access to independent third-party financing and are capable of obtaining such financing without the need to rely on any guarantee or security provided by our Controlling Shareholders or their respective close associates. We will not rely on our Controlling Shareholders for financing after the [REDACTED] and we will have sufficient working capital to operate our business independently.

During the Track Record Period and up to the Latest Practicable Date, our Group had certain non-trade related amounts due to/from our Controlling Shareholders, and all such outstanding balances will be settled on or before the [REDACTED]. In addition, certain of our Group’s bank and other borrowings were guaranteed by our Controlling Shareholders and/or their respective close associates over the Track Record Period. All such guarantees have been released or replaced with guarantees from our Group as of the Latest Practicable Date. See also Note 30 to the Accountant’s Report of our Group in Appendix I to this document for more information.

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Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates, financed our operations during the Track Record Period. Therefore, we have no financial dependence on our Controlling Shareholders.

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

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest to safeguard the interests of our shareholders (including minority shareholders) taken as a whole. In particular, we will implement the following measures:

- (i) a Director with material interests shall make full disclosure in respect of any matters that conflict or potentially conflict with our interest (including transactions in which a Director has an interest in a company that will enter into an agreement with our Group) and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (ii) our Board will include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our shareholders. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement. They are committed to providing an impartial and external opinion to protect the interests of our [REDACTED] shareholders. For further details on our independent non-executive Directors, see “Directors and Senior Management — Directors — Independent non-executive Directors”;
- (iii) our Articles of Association provide that in the event any potential conflicts of interests arise at the shareholders’ level, our Controlling Shareholders shall abstain from voting in the shareholders’ meeting of our Company with respect to the relevant resolution(s);
- (iv) we [have established] an audit committee, a remuneration committee and a nomination committee to assess and control, and ensure that our Board is appropriately advised, as to matters relating to, among other things, our relationship with our external auditors and internal audit function, the remuneration of our Directors and our senior management, and the composition of our Board. Our audit committee comprises independent non-executive Directors and each of our remuneration committee and nomination committee comprises a majority of independent non-executive Directors. In addition, the chairman of each of our audit and remuneration committees is an independent non-executive Director. For details of our committees and their composition, please refer to the paragraph headed “Directors and Senior Management — Board Committees” in this document;

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- (v) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;
- (vi) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to our Company by our Controlling Shareholders were not taken up) either through our Company’s annual report or by way of announcements in compliance with the Listing Rules;
- (vii) pursuant to the Corporate Governance Code set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s costs;
- (viii) we will provide training for our Directors and our senior management team on a regular basis to ensure that they understand their obligations under the Listing Rules; and
- (ix) we have appointed Guotai Junan Capital Limited as our compliance adviser, 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 the Directors’ duties and corporate governance.