
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Cai, one of the executive Directors, the chairman of the Board and the founder of our Company, will hold approximately 59.65% interest in our Company, consisting of (i) approximately 26.88% direct interest; (ii) approximately 32.70% indirect interest through Lygend Investment, a company controlled by Mr. Cai; and (iii) approximately 0.06% indirect interest through Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Xie Wen (謝雯), the spouse of Mr. Cai, will also hold approximately 1.99% interest in our Company.

Accordingly, Mr. Cai and Lygend Investment will be our Controlling Shareholders immediately after the Listing, together with Ms. Xie Wen and Ningbo Lizhan who will be presumed to be part of the group of controlling shareholders of our Company.

For further details of our Controlling Shareholders and their shareholdings in our Company, please refer to the section headed “Substantial Shareholders” in this prospectus.

CONFIRMATION OF NO COMPETING INTEREST

Lygend Investment is a limited liability company incorporated in the PRC on April 19, 2010, and is primarily an investment holding company. Investments of Lygend Investment (other than its investment in our Company) are made in properties, the transportation equipment manufacturing industry, the medical industry, the coal resource development and trading industry and the limestone development and trading industry. Accordingly, there is no overlap with the industry that our Company operates in, namely, the nickel industry. Xiangxiang Enterprise, a subsidiary of Lygend Investment, has not had any business operations since its manufacturing facility shut down in December 2019.

Ningbo Lizhan is a limited liability company incorporated in the PRC on July 30, 2021 and is a special purpose vehicle that did not have any substantial business activities as of the Latest Practicable Date.

Each of our Controlling Shareholders have confirmed that as of the Latest Practicable Date he/she/it does not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, our Directors are of the view that we can conduct our business independently from each of our Controlling Shareholders and their respective close associates after the Listing.

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Operational Independence

We have our own independent and integrated organizational corporate structure, including the Manufacturing Department, Trading Department, Logistics Department, Equipment Department, Finance Department, Human Resources Department, Audit Department, Risk Management and Legal Department and other supporting departments, each with specific areas of responsibility to facilitate the effective operation of our business.

We hold or enjoy the benefits of all relevant licenses necessary to carry out our business in all material respects. We have sufficient capital, operating premises, facilities, intellectual properties and technology systems needed for our business in all material respects. Save as disclosed in the subsection headed “Business — Suppliers” in this prospectus, we also have access to third parties independently from and not connected with our Controlling Shareholders for business partners and for sources of suppliers and customers.

Based on the above, our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders and their respective close associates after the Listing.

Financial Independence

We have set up the Finance Department to be responsible for the accounting, management accounting, taxation, sales financial management and treasury management in the ordinary and usual course of business of our Company. Our Group has its own risk management and internal control system as well as an independent accounting and financial management system, and we make financial decisions according to our own business needs.

As of September 30, 2022 (the “**Indebtedness Date**”), certain of our credit facilities (the “**Guaranteed Facilities**”) are secured by guarantees and/or other forms of security provided by Mr. Cai and his close associates (the “**Connected Guarantees**”), all of which will be released before or upon Listing. Further details are set out below:

<u>Lender</u>	<u>Balance as of the Indebtedness Date</u>	<u>Nature of financial assistance</u>
China Guangfa Bank, Ningbo Branch ⁽¹⁾	RMB183.5 million	Guarantees provided by Lygend Investment, Mr. Cai and his spouse, Ms. Xie Wen
Industrial Bank, Ningbo Branch ⁽¹⁾	RMB806.3 million	Guarantees provided by Lygend Investment, Mr. Cai and his spouse, Ms. Xie Wen, and security provided by Lygend Investment and Ningbo Hongfangzi Maternity Hospital Co., Ltd. (寧波紅房子婦產醫院有限公司) ⁽²⁾
Shanghai Pudong Development Bank, Ningbo Branch ⁽¹⁾	RMB374.4 million	Guarantee provided by Mr. Cai and his spouse, Ms. Xie Wen

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Notes:

- (1) The relevant branches of China Guangfa Bank, Industrial Bank, and Shanghai Pudong Development Bank have undertaken to release the respective Connected Guarantees presently provided by our Controlling Shareholders or their respective close associates to them by the Listing Date (the “**Release of Connected Guarantees**”). Such release shall be conditional upon the Listing and upon the provision of replacement guarantees by certain members of our Group.
- (2) As of the Latest Practicable Date, Xiangxiang Enterprise and Ningbo Hongfangzi Maternity Hospital Co., Ltd. (寧波紅房子婦產醫院有限公司) were ultimately controlled by Mr. Cai through Lygend Investment.

As of the Indebtedness Date, we obtained letters of intent (“**Letters of Intent**”) from an independent commercial bank, namely China CITIC Bank, Ningbo Jiangdong Branch, to provide certain of our subsidiaries with credit facilities in an aggregate amount of RMB13,100 million, on normal commercial terms without any security or guarantee from any of our Controlling Shareholders or their close associates. As of the Indebtedness Date, no credit facility has been granted pursuant to the Letters of Intent as we have not yet sought to utilize such credit facilities. Our Directors are therefore of the view that we are capable of obtaining financing from external sources independently without reliance on our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, there were no outstanding loans due to or from our Controlling Shareholders or their respective close associates, and save as disclosed above, there were no other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that our Group is able to maintain financially independent from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

The Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors, among whom, two Directors also hold positions in Lygend Investment and Ningbo Lizhan (see details below). Our operational and management decisions are made by our executive Directors and senior management in a collective manner. For details of the biography of the Directors and senior management and their roles in our Company, please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus.

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The following table sets forth the major positions held by the Directors and our senior management in our Controlling Shareholders as of the Latest Practicable Date:

<u>Name</u>	<u>Major position(s) held in our Company</u>	<u>Major position(s) held in our Controlling Shareholders</u>
Mr. Cai	Executive Director and chairman of the Board of our Company	Director and general manager of Lygend Investment and Ningbo Lizhan
Ms. Fei Feng	Executive Director, a deputy general manager and the secretary to the Board of our Company	Supervisor of Lygend Investment and Ningbo Lizhan

Save as disclosed above, as of the Latest Practicable Date, none of the other Directors or senior management held any major position in Lygend Investment and Ningbo Lizhan.

We believe that our Directors and senior management can independently perform their duties in our Company, and we can operate independently from the Controlling Shareholders, due to the following reasons:

- (i) each of our Directors is well aware of and understands his/her fiduciary duties which, among other things, require them to act in the best interests of our Company and the Shareholders as a whole. Mr. Cai is the founder of our Company, Lygend Investment and Ningbo Lizhan, so it is necessary for him to remain as a director of such companies. In addition, as a supervisor of each of Lygend Investment and Ningbo Lizhan, Ms. Fei Feng merely plays non-executive roles and has not been and will not be involved in their day-to-day management. In performing their duties as Directors of our Company, Mr. Cai and Ms. Fei Feng have been allocating and will continue to allocate sufficient time and resources to the management and operation of our Company and will bear the best interests of our Company and the Shareholders in mind;
- (ii) we have three executive Directors who are also members of our senior management, and three further members of senior management, besides Mr. Cai and Ms. Fei Feng to oversee the operation and the development of our Group and make independent decisions, all of whom have extensive experiences in the industry we are engaged in to ensure the proper functioning of the daily operation and management of our Company, and who do not hold any major position in Lygend Investment or in Ningbo Lizhan;
- (iii) we have three independent non-executive Directors to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of our Company and the Shareholders as a whole. The independent non-executive Directors, Dr. He Wanpeng, Ms. Zhang Zhengping and Dr. Wang James Jixian are not involved in the daily business operations and management of our Company. We believe that Dr. He Wanpeng, Ms. Zhang Zhengping and Dr. Wang James Jixian (a) possess sufficient experiences, (b) are free of any business or other relationship which could interfere in any

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material manner with the exercise of their independent judgment, and (c) will be able to provide impartial and external opinion to the Board; and

- (iv) 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 information, please refer to “— Corporate Governance Measures” in this section below.

Based on the above, the Directors are of the view that our management is able to function independently of the Controlling Shareholders and their respective close associates after the Listing.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders as a whole, we have adopted the following corporate governance measures to manage any potential conflicts of interest with the Controlling Shareholders and their respective close associates:

- (i) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association has set out relevant provisions to avoid conflict of interests, including but not limited to the following:
- a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting; and
 - when a Shareholder is required to be abstained from voting according to the Listing Rules, which includes the circumstances where a Shareholder has a material interest in the connected transaction to be considered and approved at a general meeting, the number of votes cast by such Shareholder shall not be counted.
- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with the Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules;
- (iii) our Directors are entitled to seek the advice of independent professionals, such as financial advisers, at our Company’s expense and as and when reasonable and appropriate in accordance with the Corporate Governance Code set out in Appendix 14 of the Listing Rules;
- (iv) if a substantial shareholder or a Director has a conflict of interest in a proposal which the Board has determined to be material, such matter should be dealt with by a Board meeting

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rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interests in the matter should be present at such Board meeting; and

- (v) we have appointed Somerley 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 directors' duties and corporate governance.

Based on the above, our Directors are of the view that sufficient corporate governance measures have been put in place to manage conflicts of interests that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.