# RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

## OVERVIEW

As of the Latest Practicable Date, by virtue of the Acting in Concert Agreement, Mr. Liu and Ms. Liu collectively controlled 76.48% voting rights of our Company, comprising (1) 65.07% of the equity interests indirectly held by Ms. Liu through UDL and her wholly owned intermediate holding companies, including New Hope Dairy International and New Century, and (2) 11.42% of equity interests indirectly held by Mr. Liu through New Hope Investment and his wholly owned intermediate holding companies, including New Hope Holdings, New Hope Asia Pacific and Lhasa New Hope. For further details of the Acting in Concert Agreement, see "—Acting in Concert Agreement" under this section.

Immediately following the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised, the underlying A Shares under the 2020 Convertible Bonds are **[REDACTED]** and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), Mr. Liu and Ms. Liu will collectively control **[REDACTED]**% of voting rights of our Company, comprising (1) **[REDACTED]**% beneficially owned by UDL and (2) **[REDACTED]**% beneficially owned by New Hope Investment. Accordingly, Mr. Liu and Ms. Liu, together with UDL, New Hope Dairy International, New Century, New Hope Investment, New Hope Holdings, New Hope Asia Pacific and Lhasa New Hope, constituted the group of our Controlling Shareholders as of the Latest Practicable Date and will continue be the group of our Controlling Shareholders upon the **[REDACTED]** pursuant to the Listing Rules.

## DELINEATION OF OUR BUSINESSES FROM THE BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

### Our Business

We are primarily engaged in R&D, production and sales of dairy products (the "Principal Business"). For details, see "Business."

### The Business of our Controlling Shareholders

Apart from the interests in our Group, our Controlling Shareholders, Mr. Liu and Ms. Liu, are interested in certain other businesses primarily including, (1) feed production, livestock slaughtering and sale of food products through New Hope Liuhe and its subsidiaries; (2) property management services through New Hope Service and its subsidiaries; and (3) other businesses conducted through entities controlled by Mr. Liu and Ms. Liu, including but not limited to property development business, cold-chain logistics services and production and sales of condiment ("Other CS Business"). These businesses were not injected into our Group as they neither form part of our Principal Business nor in line with our strategy to enhance our position in China's low-temperature liquid dairy products market.

Certain entities then controlled by Mr. Liu and Ms. Liu as of the Latest Practicable Date conducting the Other CS Business (the "CS Other Business Entities") engaged in the following businesses which are similar to, but do not, and are unlikely to compete, directly or indirectly, with our Principal Business.

### 1) Freshly-made Milk Beverages Business

Certain CS Other Business Entities engage in the operation of chain stores offering freshly-made drinks including freshly-made milk beverages. We believe that there is no substantive competition between the CS Other Business Entities' milk beverages business and our Principal Business for the following reasons:

- **Different business model.** The relevant CS Other Business Entities primarily operate chain stores offering freshly-made drinks, with its business focusing on instant-consumption models through offline stores and online delivery platforms, whereas our Group is engaged in the R&D, production and sales of a broad range of dairy products through various sales channels.

- **Different product positioning and sales channels.** Our major products are primarily packaged low-temperature dairy products, which are delivered to our distributors, retailers or end consumers through a refrigerated cold-chain logistics system. In contrast, the milk beverages offered by the relevant CS Other Business Entities are freshly prepared in stores upon customers' onsite or online orders, and are consumed either through customer pickup or delivery via online food-delivery platforms.

**2) Operation of Convenience Stores**

Certain CS Other Business Entities engaged in the operation of convenience stores where they offer food and beverages, including dairy products, to retail customers. We believe that there is no substantive competition between the CS Other Business Entities' dairy retail business and our Principal Business for the following reasons:

- **Different business model.** The relevant CS Other Business Entities are licensed by a well-known global convenience-store brand to operate convenience stores in Chongqing region, whereas our Group is engaged in the R&D, production and sales of a broad range of dairy products.

- **Non-core products.** Consistent with the business model of convenience stores, the convenience stores operated by the relevant CS Other Business Entities offer a wide range of products, including but not limited to packaged food, beverages, alcoholic drinks, freshly prepared food and daily necessities, and dairy products are not among their core product categories. In contrast, our Group focuses on the R&D, production and sales of dairy products.

**3) Dairy Products Import and Trading Business**

The business of certain CS Other Business Entities involve the import and trading of bulk ingredient-grade milk powder. We believe that there is no substantive competition between the CS Other Business Entities' dairy products distribution business and our Principal Business for the following reasons:

- **Different business model.** The business of the relevant CS Other Business Entities involve the import and sales of bulk ingredient-grade milk powder, without any involvement in production of dairy products, whereas our Group is engaged in the R&D, production and sales of a broad range of dairy products.

- **Different product positioning and target customers.** As confirmed by Frost & Sullivan, bulk ingredient-grade milk powder used for dairy processing is distinct from ready-to-drink milk-powder products in terms of product formulation and product specifications. The relevant CS Other Business Entities engage in the import and sale of ingredient-grade milk powder, which is clearly labelled as intended for food-processing use only and requires further processing by downstream food and beverage producers, whereas our Group's milk-powder products can be directly consumed by end customers. In addition, the relevant CS Other Business Entities supply their bulk ingredient-grade products mainly to food and beverage producers (including our Group), while our Group distributes our consumer-ready dairy products to retailers, institutional customers, DTC and distributors.

- **Non-core business.** The core business of our Group is the sales of fresh milk and other liquid dairy products. The revenue generated from sales of milk powder merely accounted for 0.7%, 0.7% and 0.8% of the revenue of our Group for the years ended December 31, 2023, 2024 and 2025, respectively.

On the basis of the differences as set forth above and to our best knowledge, we consider that apart from their interest in our Company, our Controlling Shareholders and our Directors do not currently control a business similar to our Principal Business that competes or is likely to compete, either directly or indirectly, with our Principal Business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

## INDEPENDENCE FROM THE GROUP OF CONTROLLING SHAREHOLDERS

### Management Independence

Upon the completion of the **[REDACTED]**, our Board will comprise three executive Directors, two non-executive Directors and three independent non-executive Directors. See "Directors and Senior Management" for more information.

One of our executive Directors, Dr. Xi Gang (席剛), and all of our non-executive Directors also hold positions in companies (the "Other Companies") controlled by our Controlling Shareholders, excluding our Group (see details below). Our management and operational decisions are made by our executive Directors and senior management, thus, when performing his duties in the Other Companies and our Group, Dr. Xi has been and will continue to be supported by the separate and independent senior management team.

| Name | Position(s) held in the Group | Position(s) held in other companies controlled by our Controlling Shareholders |
|---|---|---|
| Dr. Xi Gang | Executive Director and chairman of the Board | Director and manager of Grass Green Group Co., Ltd. (草根知本集團有限公司) and director of its multiple subsidiaries |
| | | Supervisor of New Hope Investment and director of its subsidiaries |
| | | Director of subsidiaries of South Hope Industrial Co., Ltd. (南方希望實業有限公司) |
| | | Director of subsidiaries of Beijing Chuangsheng Technology Co., Ltd. (北京創升科技有限公司) |
| Ms. Liu | Non-executive Director | Chairlady of the board of New Hope Liuhe |
| | | Director of New Hope Group |
| | | Chairlady of the board of New Hope Investment |
| | | Director of South Hope Industrial Co., Ltd. |
| | | Director of New Century |
| | | Director of New Hope Dairy International |
| | | Director of New Everest Holdings Limited |
| | | Director of Lindford Holdings Limited |
| | | Director of Halvorson Investments Limited |
| | | Director of UDL |
| Ms. Li Wei (李巍) | Non-executive Director | Non-executive director of New Hope Service |
| | | Supervisor of New Hope Group |

Save as disclosed above, none of our Directors holds any position in companies controlled by members of the group of our Controlling Shareholders.

Notwithstanding the overlapping Directors, our Directors, including the independent non-executive Directors, are of the view that there are sufficient and effective control mechanisms to ensure that our Directors shall discharge their duties appropriately and safeguard the interests of our Shareholders as a whole and our Board and senior management are able to manage our business and function independently from the group of our Controlling Shareholders based on the following reasons:

(1) each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(2) none of the business undertaken or carried on by our Controlling Shareholders or their respective close associates outside of our Group competes with our business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Dr. Xi will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company. See "— Corporate Governance";

(3) 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 Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum, and our remaining Directors will have sufficient expertise and experience to fully consider any such matter;

(4) we have three independent non-executive Directors, who have extensive experience in different areas and have been appointed to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review in accordance with the Listing Rules, the applicable laws and our Articles of Association and internal policies; and

(5) our daily management and operations are carried out by our senior management team. Our senior management team members are independent from the group of our Controlling Shareholders, 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 interest of our Group.

**Operation Independence**

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. We have also established various internal controls procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on the group of our Controlling Shareholders. Our Company holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from the group of our Controlling Shareholders. We also have independent access to our customers and suppliers.

We have entered into certain continuing connected transactions with members of the group of our Controlling Shareholders and their close associates in relation to provision or purchase of products or services as well as lease of properties and equipment. Such transactions are and will be conducted on an arm's length basis and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules and the pricing policy of our Group and our connected persons will not be prejudicial to the interests of any of the parties. The amounts for such continuing connected transactions are at a reasonable percentage with respect to our business scale. See "Connected Transactions" for details. Moreover, our access to independent sources enables us to identify other suitable partners or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and the operational needs without causing any undue delay. Accordingly, our Directors believe that such transactions will not affect the operational independence of our Group as a whole.

Based on the above, our Directors believe that we are capable of carrying on our business independently of the group of our Controlling Shareholders and their close associates.

**Financial Independence**

We have an independent financial system. Our Group's accounting and finance functions are independent of the group of our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs. Our Group's major finance operations are handled by our financial management department, which operates independently from the group of our Controlling Shareholders and their close associates. We do not share any other functions or resources with any member of the group of our Controlling Shareholders or their close associates.

There was no loan, advance or guarantee provided by our Controlling Shareholders or their associates during the Track Record Period and as of the Latest Practicable Date. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders.

Based on the above, our Directors believe that our Group is able to operate with financial independence from the group of our Controlling Shareholders and their close associates.

## CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from the group of our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(1) where a Shareholders' meeting is to be held for considering proposed transactions in which the group of our Controlling Shareholders or any of their close associates have a material interest, the group of our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(2) our Company has established internal control mechanism to identify connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;

(4) we have appointed Rainbow Capital (HK) 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;

(5) we have established the audit committee, remuneration and appraisal committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;

(6) we will evaluate and confirm the status of the non-competing interest of the group of our Controlling Shareholders on an annual basis based on the necessary information furnished by them; and

(7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non–executive Directors either in its annual report or by way of announcements

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the group of our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

## NON-COMPETITION UNDERTAKING

On September 13, 2017, Mr. Liu and Ms. Liu provided a non-compete undertaking (the "Non-compete Undertaking") in favor of our Company, pursuant to which they:

(1) confirmed that, as of the date of the Non-compete Undertaking, neither Mr. Liu and Ms. Liu nor any entity, institution or economic organization directly or indirectly controlled by them in any manner controlled any entity, institution or economic organization that competes with our Company in the same country or region;

(2) undertook that, from the date of the Non-compete Undertaking, none of the entities, institutions or economic organizations controlled by Mr. Liu and Ms. Liu (including those that may be controlled in the future) will engage in any business or activities that compete with our Company in the same country or region;

(3) undertook that Mr. Liu and Ms. Liu will not, by virtue of being our Controlling Shareholders, de facto controller or major Shareholder, prejudice the legitimate rights and interests of our Company and other Shareholders, in particular our minority Shareholders; and

(4) further undertook that, in case of any breach under the Non-compete Undertaking, Mr. Liu and Ms. Liu shall indemnify our Company for all direct losses incurred.