
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme), our Controlling Shareholders as a group, namely Mr. Yang and his spouse, Ms. Lin, through Shengyao Investment and Trendy Peak, respectively, together with Nanchang Tongli LP through Prosperous Season will own an aggregate of approximately [REDACTED]% of issued share capital of our Company.

Shengyao Investment is an investment holding company and is wholly-owned by Mr. Yang, our chairman of the Board, chief executive officer and an executive Director; Trendy Peak is an investment holding company and is wholly-owned by Ms. Lin, the spouse of Mr. Yang and an executive Director; whereas Prosperous Season is an investment holding company wholly-owned by Nanchang Tongli LP, a limited partnership controlled and managed by Mr. Yang as its general partner, who has the power to manage its businesses and make investment decisions. Therefore, Mr. Yang, Ms. Lin, Shengyao Investment, Trendy Peak, Prosperous Season and Nanchang Tongli LP constitute a group of Controlling Shareholders under the Listing Rules.

For details of Mr. Yang and Ms. Lin, please refer to the section headed “Directors and Senior Management” in this document.

COMPETING INTEREST

As at the Latest Practicable Date, apart from the business of our Group, none of our Controlling Shareholders, our Directors, and their respective close associates has carried on, or has any interest in, any other business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, our Board is satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders and their respective close associates upon and after the [REDACTED].

Operational Independence

Our Company is capable of making independent decisions and carrying on our business operations independently. Although our Controlling Shareholders retain a controlling interest in our Company after the [REDACTED], this does not prevent us from exercising full rights to carry out our own decisions on the business operations. We do not rely on our Controlling Shareholders for our supply, business development, staffing, capital, equipment, intellectual properties or

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marketing and sales activities upon the [REDACTED]. We have independent access to, and do not share with our Controlling Shareholders, operational resources, such as suppliers, sales networks and customers and an independent management team to handle our day-to-day operations. We have our own registered patents which we can use for producing our products. As at the Latest Practicable Date, we hold and enjoy the benefit of all relevant licences and intellectual properties necessary to carry on our businesses including trademarks of our “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands. None of our Controlling Shareholders and their respective close associates has any interest in any of our top five customers or top five suppliers during the Track Record Period.

Accordingly, our Directors believe that we are able to maintain operational independence from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Yang, our Controlling Shareholder is our chairman of the Board, chief executive officer and an executive Director; and Ms. Lin, our Controlling Shareholder is an executive Director.

Our Group has established an (i) audit committee, (ii) remuneration committee and (iii) nomination committee. Each committee includes independent non-executive Directors so as to monitor the decision-making and operation of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. 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 close associates, the interested Director(s) and their respective close associate(s) 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. In addition, our senior management is independent from our Controlling Shareholders.

Our Company has also established internal control mechanism 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.

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Since our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of our Group. Please refer to the section headed “Directors and Senior Management” in this document for the background of our Directors. Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole, together with our senior management team, are able to make independent managerial decisions in the best interest of our Company having regard to their own knowledge of the corporation and their experience and skills.

Financial Independence

Our Company is empowered to make independent decisions in respect of business and financial matters according to our business needs. Our Group has our own internal control, accounting and financial management system and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from financial perspective.

During the Track Record Period, our Controlling Shareholders and their controlled entities provided guarantees to certain banks and financial institutions in order to secure certain bank loans for our Group; and our Group provided guarantees to certain banks and financial institutions to secure borrowings for our Controlling Shareholders. For details of these guarantees, please see Note 34 to the Accountants’ Report set out in Appendix I to this document.

As at 31 October 2022, our borrowings in the amount of approximately RMB37,402,000 was guaranteed by our Controlling Shareholders. The relevant guarantees will be released, and/or replaced with corporate guarantees or replacement security given by one or more members of our Group before [REDACTED]. As at the Latest Practicable Date, all guarantees provided by our Group on our Controlling Shareholder’s borrowings have been released, and the relevant borrowings of our Controlling Shareholders have been repaid.

Taking into account of our Group’s internal resources and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient capital to operate our business independently, and have a strong credit profile to support our daily operations. Further, our Directors believe that, upon [REDACTED], our Group is capable of obtaining financing from Independent Third Parties without the support of or reliance on our Controlling Shareholders. Therefore, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

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CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and Directors on one hand and our Group on the other hand will be taken:

- as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal 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;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest 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;
- we are committed that our Board should include a balanced composition of Directors (including independent non-executive Directors). 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 judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to paragraph headed “Directors and Senior Management — Board of Directors — Independent Non-executive Directors” in this document;
- 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 hand, 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 either through its annual report or by way of announcements; and

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- we have appointed Grand Moore Capital as our compliance adviser, which will, upon our consultation, provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various Listing Rules requirements relating to directors’ duties and corporate governance.

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