
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue, Zhongshen Hengtai will hold approximately [REDACTED]% of the issued share capital of our Company, where Zhongshen Hengtai is solely owned by Mr. Sang. As Zhongshen Hengtai and Mr. Sang are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at our Company’s general meeting, each of Zhongshen Hengtai and Mr. Sang is regarded as our Controlling Shareholder under the Listing Rules.

Management, operational, administrative and financial independence of our Group

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates based on the following:

Management independence

Our Board comprises two executive Directors and three independent non-executive Directors. Mr. Sang, the Chairman of the Board and an executive Director, is one of our Controlling Shareholders and the sole director of Zhongshen Hengtai.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of 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. 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) 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.

The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board. Apart from our Directors, we have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational, administrative and financial independence

Our Group has our own independent operational, administrative and corporate governance structure comprising separate individual departments, each with specific areas of responsibilities, including financial and accounting management, business development. During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their respective close associates as we have our own operational personnel and administrative personnel.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Board believes that we have been operating independently from our Controlling Shareholders and their respective close associates and will continue to do so after [REDACTED]. Our Group makes business decisions independently and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates. Our Group has also established a set of internal control measures to facilitate the effective operations of its business. Our Group’s top five customers and suppliers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or any of their respective close associates for access to suppliers and customers, as we manage our sourcing independently to whom we have independent access. Our Directors currently do not expect there will be transactions between our Group and our Controlling Shareholders following [REDACTED].

As at 30 June 2023, a balance of approximately RMB11.8 million in aggregate was due to Mr. Xian and Zhongshen Hengtai. All outstanding balance of amounts due to related parties will be capitalised by waiver before [REDACTED]. Our Directors confirm that no guarantee was provided by our Controlling Shareholders as security for the due performance and observance of our Group’s obligations under contracts as at the Latest Practicable Date. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders and their respective close associates. During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems.

Based on the above, our Directors believe that our Group’s business operation does not rely on our Controlling Shareholders and our Group is capable of operating independently without financial reliance on our Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group’s business which competes, or may compete, directly or indirectly, with our Group’s business which requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) 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 Controlling Shareholders (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section “Directors and senior management” in this document; and
- (c) our Company has appointed Kingsway Capital Limited as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section “Directors and senior management — Compliance adviser” in this document for details in relation to the appointment of compliance adviser.