
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As at the Latest Practicable Date, Migao BVI directly owned our entire issued share capital. Migao BVI is wholly-owned by Migao Barbados which in turn is wholly-owned by Mr. Liu. Accordingly, Mr. Liu, Migao Barbados and Migao BVI shall be regarded as our Controlling Shareholders under the Listing Rules.

Immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised, Mr. Liu, Migao Barbados and Migao BVI will directly and indirectly hold [REDACTED]% of our issued share capital, and hence will remain as our Controlling Shareholders. For the background of Mr. Liu, please refer to the section headed “Directors and Senior Management” in this document.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Apart from our Group, Mr. Liu has interests in several businesses in the PRC, including Huantaiyang Technology (Sichuan) Co., Ltd.* (寰太洋科技(四川)有限公司) (formerly known as Sichuan SQM-Migao Chemical Fertilizer Co., Ltd.* (埃斯科姆米高(四川)化肥有限公司)) (“**SQM Migao**”), Chengdu Aoke Saiya Engineering Technology Corporation Ltd.* (成都奧克賽亞工程技術有限公司) (formerly known as Chengdu Migao Engineering Technology Corporation Ltd.* (成都米高工程技術有限公司)) (“**Chengdu Migao**”) and Beijing Weidesen International Trade Co., Ltd.* (北京威德森國際貿易有限公司) (“**Beijing Weidesen**”) (collectively, the “**Excluded Businesses**”), as well as business in other sectors which mainly include investment in domestic industrial real estate and renewal energy industry.

SQM Migao is a company established in the PRC in September 2009 and its business scopes in the business licence have historically included, among other things, research and development of bio-organic fertiliser. On 17 January 2024, the name of SQM Migao was changed to Huantaiyang Technology (Sichuan) Co., Ltd.* (寰太洋科技(四川)有限公司) and the business scopes were changed to technical service, technology development, consulting, transfer and promotion, and non-residential real estate leasing.

Chengdu Migao is a company established in the PRC in November 2016 and its business scopes in the business licence have historically included, among other things, sales of chemical products. On 11 January 2024, the name of Chengdu Migao was changed to Chengdu Aoke Saiya Engineering Technology Corporation Ltd.* (成都奧克賽亞工程技術有限公司) and the business scopes were changed to technical service, technology development, consulting, transfer and promotion, machinery sales and development, import of goods, engineering management services, and sales of wind power machinery and parts.

Beijing Weidesen is a company established in the PRC in March 2004 and its business scopes in the business licence have historically included, among other things, sales of chemical products. On 19 January 2024, its business scopes were changed to import and export of goods, import and export of technology, and import and export agency.

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Mr. Liu has confirmed that during the Track Record Period and up to their respective latest change of name and/or business scopes, the Excluded Businesses and Tianjin Migao did not engage in business that competed with that of our Group.

The Sole Sponsor concurred with the Directors’ view based on the information disclosed above and its due diligence regarding the Excluded Businesses and Tianjin Migao including, among others, (i) obtaining and reviewing the list of the Excluded Businesses and Tianjin Migao, as confirmed by Mr. Liu, which sets out their business activities throughout the Track Record Period and up to the Latest Practicable Date; (ii) conducting searches on the entities involved in the Excluded Businesses and Tianjin Migao with the assistance of the Sole Sponsor’s PRC legal advisers and reviewing the search results to check for any indication of existing or potential competition with our Group; (iii) obtaining and reviewing the updated business licenses of the entities involved in the Excluded Businesses and Tianjin Migao which had their corporate names and/or business scopes amended as disclosed above; (iv) obtaining and reviewing the underlying documents of the entities involved in the Excluded Businesses and Tianjin Migao, including financial statements and management accounts, to ascertain that their business activities were unrelated to our Group’s principal business; and (v) consulting the Sole Sponsor’s PRC legal Advisers to understand that the business scopes of the Excluded Businesses and Tianjin Migao would not overlap with that of our Group after the aforementioned amendments to the business licenses of the relevant entities.

Each of our Directors and Controlling Shareholders has confirmed that, as at the date of this document, none of them had any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders (including any associate thereof) after the [REDACTED] for the reasons set out below.

Management Independence

Our Directors are of the view that our Company is managed independently of our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a director which require, among others things, that he/she must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) at any meetings held to discuss a matter that gives rise to a conflict with any of our Directors and their respective associates, any conflicted Directors will abstain from voting and will not be counted in the quorum of the relevant Board meeting;

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- (c) our Board consists of six Directors and three of whom are independent non-executive Directors who have extensive experience in different industries and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinion; and
- (d) connected transactions between our Group and our Controlling Shareholders or their respective associates, if any, are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and Shareholders' approval (where applicable).

Based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders after the [REDACTED].

Operational Independence

Our Company makes business decisions independently. Our Company and our subsidiaries hold all relevant licences necessary to carry on our businesses and have sufficient capital, equipment and employees to operate its businesses independently.

Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

- (a) there is no competing business between our Group and any of our Controlling Shareholders;
- (b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (c) we have our own independent operation capabilities and independent access to customers; and
- (d) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments).

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their respective associates.

Financial Independence

In addition, our Group is financially independent for the reasons set out below:

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs.

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We have sufficient working capital to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to its own business needs. We are financially independent of our Controlling Shareholders and their respective associates.

For FY2021, FY2022, FY2023 and 8MFY2024, our Group received advances from related companies under financing activities of RMB93.4 million, RMB87.0 million, RMB243.1 million and RMB16.2 million, respectively, among which amounts due to APPH of non-trade nature of RMB72.9 million, RMB158.5 million, RMB175.7 million and RMB16.8 million were derived therefrom as at 31 March 2021, 2022 and 2023 and 30 November 2023, respectively.

As at the Latest Practicable Date, the amounts due to APPH of non-trade nature was approximately RMB11.5 million. We expect that the amount due to APPH of non-trade nature will be settled by the [REDACTED].

Save as disclosed above, at the Latest Practicable Date, our Company did not have any outstanding loans, advances and balances due to or from and guarantee provided by any of our Controlling Shareholders and their respective close associates and we do not intend to rely on any of our Controlling Shareholders in the future.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

CORPORATE GOVERNANCE

We have adopted the following measures in order to manage potential conflicts of interest:

- (a) our Articles of Association provide that where a Director or a senior management officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement which are made or proposed by the Company (other than his/her service contract with the Company), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement is otherwise subject to the approval of the Board;
- (b) our Articles of Association also provide that a Director shall not vote on any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest, and such Director shall not be counted in the quorum of the relevant board meeting; and

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- (c) we have appointed Soochow Securities International 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 Board is satisfied that there are sufficient and effective measures in place to manage conflicts of interest. We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgement. We are also committed to the view that our independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. Our independent non-executive Directors are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgement. Our Company is expected to comply with the Corporate Governance Code which sets our principles of good corporate governance in relation to, among others, Directors, the chairperson, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Corporate Governance Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.