

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue, and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, Far-East Fortune will directly hold [REDACTED]% of the issued share capital of our Company. Far-East Fortune is owned as to 91% by Mr. Wang, being our founder and our executive Director, Chairman and Chief Executive Officer, and as to 9% by Ms. Cui, being our executive Director and spouse of Mr. Wang. Each of Far-East Fortune, Mr. Wang, and Ms. Cui is regarded as a Controlling Shareholder of our Company under the Listing Rules and they are collectively regarded as a group of Controlling Shareholders.

Information on other companies owned by our Controlling Shareholders

Our Group principally engages in the business of marketing, sales and distribution of nutritional products in the PRC. As at the Latest Practicable Date, other than the business of marketing, sales and distribution of nutritional products in the PRC carried out by our Group, our Controlling Shareholders and their close associates also had controlling interests in other companies with business scopes different from our Group’s. Brief details of the business scope of these companies as at the Latest Practicable Date are as follows:

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Business scope of the company
Shanghai Kepeng Weishangwu Consulting Company Limited* (上海科澎微商務諮詢有限公司)	35.46% (held by Far-East Fortune)	Business information consultation, design and production of advertisements and provision of related agency service, etc.
Chiyunshe Trading (Shanghai) Company Limited* (池雲舍貿易(上海)有限公司) (“Chiyunshe”)	100% (held by Far-East Fortune)	Wholesale, import and export of groceries, kitchen utensils and household appliances, etc.
Shanghai Dayunshe Trading Company Limited* (上海達雲舍貿易有限公司)	100% (held by Chiyunshe)	Sales of kitchen utensils and household appliances, provision of information technology consulting services and software development

As shown in the table above, the principal business scope of the above companies differ from that of our Group, which principally engages in the marketing, sales and distribution of nutritional products in the PRC. Due to differences in business scope, the above companies are not in competition directly or indirectly with our Group.

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Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include such companies or businesses in our Group for the purpose of [REDACTED] in order for our Group to focus on the principal business of marketing, sales and distribution of nutritional products in the PRC.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying out our business independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our daily operations. During the Track Record Period and as at the Latest Practicable Date, none of our Controlling Shareholders, their controlled entities and their respective close associates had provided any share pledge, security, guarantee and other financial assistance in favour of our Group. Our Directors confirm that we will not rely on our Controlling Shareholders, their controlled entities and their respective close associates for financing after [REDACTED] as we expect that our working capital will be funded by, amongst others, existing cash and cash equivalents and other internal resources, cash generated from operating activities and the [REDACTED] from the [REDACTED].

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders, their controlled entities and their respective close associates based on the following reasons:

- (a) our Group has established an organisational structure made up of individual departments, each with specific areas of responsibilities;
- (b) our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and/or their respective close associates, or any companies controlled by our Controlling Shareholders;
- (c) our Group has established a set of internal controls to facilitate the effective operation of our business; and
- (d) our Controlling Shareholders or their close associates have no interest in any of our five largest customers and suppliers for each year/period during the Track Record Period and we have independent access to our customers and suppliers.

Based on the above, our Directors consider that our Group can operate independently of our Controlling Shareholders from the operational perspective.

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Management independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts in the best interest of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. Our independent non-executive Directors are all equipped with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different backgrounds provides a balance of views and opinions. Please refer to the paragraph headed “Directors, Senior Management and Employees — Directors” in this document for the background of our Directors. Our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall, unless otherwise permitted by the Articles, abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted towards the quorum. In case Mr. Wang and/or Ms. Cui is/are required to abstain from voting at a Board meeting due to potential conflict of interest, other Directors will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

Apart from our executive Directors who oversee the daily operations of our Group, our Group has a senior management team independent of our Controlling Shareholders to carry out the business decisions of our Group and to perform all essential management functions without unduly requiring the support of our Controlling Shareholders. The backgrounds of our senior management personnel are set out in the paragraph headed “Directors, Senior Management and Employees — Senior management” in this document.

In view of the aforesaid, our Directors are of the view that our management independence is upheld.

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NON-COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our Directors has confirmed that none of our Controlling Shareholders and their respective close associates (other than members of our Group) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

Further, each of our Directors has confirmed that he/she and their respective close associates are not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

CORPORATE GOVERNANCE

Our Directors consider that we have adequate corporate governance measures in place to resolve any actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

- (a) our Company has conditionally adopted the Articles of Association which provide that a Director shall not vote (nor be counted towards the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless otherwise permitted by the Articles;
- (b) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. Backgrounds of our independent non-executive Directors are set out in the paragraph headed “Directors, Senior Management and Employees — Directors” in this document;
- (c) further, if our Controlling Shareholder or our Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and
- (d) we have appointed Caitong International Capital Co., Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors’ duties and corporate governance.