OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Ms. Li held in aggregate approximately 99% of the total issued share capital of our Company through Hengfu Technology. Immediately after completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued by our Company pursuant to the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme), Ms. Li will hold approximately **[REDACTED]**% of our total issued share capital through Hengfu Technology, and therefore Ms. Li and Hengfu Technology will remain as our Controlling Shareholders under the GEM Listing Rules. For further details of the background of Ms. Li and Hengfu Technology, please refer to "Directors and Senior Management" and "History, Reorganisation and Corporate Structure — Reorganisation" in this document.

DELINEATION OF BUSINESS

Our Directors and Controlling Shareholders have confirmed that, as at the Latest Practicable Date, each of them and their respective close associates does not have any interest in other business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under the GEM Listing Rules.

In the future, our Controlling Shareholders may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which our business segments also operate. Our Controlling Shareholders will ensure that they have no executive or shareholding control over such entities, and such entities have separate businesses with separate management and shareholder bases that control them to ensure we are able to carry on our business independently from the other entities in which they may make minority investments or hold directorships from time to time.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after **[REDACTED]**, taking into consideration of the factors below.

Management Independence

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders for the following considerations:

(a) 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 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;

(b) 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, unless otherwise permitted by the Articles of Association, the interested Director(s) will abstain from voting at the relevant board meeting of our Company in respect of such transaction and will not be counted in the quorum of the relevant meetings of the Board;

(c) our daily management and operations are carried out by our executive Directors and a senior management team. Other than Ms. Li, who is our Controlling Shareholder, the other executive Directors and senior management are independent from our Controlling

Shareholders and have substantial experience in the industry in which our Company is engaged and/or business management in general, and will therefore be able to make business decisions that are in the best interest of our Group;

(d) we have three independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to the paragraph headed "— Corporate governance" in this section below.

Having considered the above factors, our Directors are satisfied that our Board together with the senior management team as a whole is able to perform their roles independently from our Controlling Shareholders and close associates after the **[REDACTED]**.

Operational Independence

We operate independently from our Controlling Shareholders and their respective close associates:

(a) we have established its own organisational structure, which comprises individual departments and each department has its own administrative and corporate governance infrastructure;

(b) we hold all the requisite licences, intellectual property rights and qualifications that are material to our principal business and has sufficient capital, facilities, equipment and employees to operate our business independently;

(c) our Controlling Shareholders have no interest in any of our top five suppliers and customers in each year during the Track Record Period. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers and customers; and

(d) We have established a set of internal control procedures to facilitate the effective operation of our business independent from our Controlling Shareholders.

Having considered the above factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have our independent financial, internal control and accounting system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have established an independent finance department with a team of financial staff and an independent audit, accounting and financial management system, and an Audit Committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations.

During the Track Record Period, we primarily funded our operations and expansions through cash generated from our operations and the equity of our Shareholders. Our amounts due to our Controlling Shareholder, details of which are set out in note 20 to the Accountants' Report set out in Appendix I to this document, will be fully settled prior to the **[REDACTED]**, and all joint borrowings with Ms. Li, our Controlling Shareholder, including our Group's banking facilities, bank overdrafts and interest-bearing borrowings, will be fully replaced by bank borrowings where Jilin Huachen will be the sole borrower upon **[REDACTED]**. As such, we believe that our financial operation is independent from our Controlling Shareholders.

Other than the above, our source of funding and our finances are independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates. Based on the above, our Directors believe that we are capable of carrying on our business independently of and do not place undue reliance on our Controlling Shareholders and their close associates after the **[REDACTED]**.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in protecting the interests of our Shareholders. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

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

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable GEM Listing Rules;

(c) our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders;

(d) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there are any conflicts of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(e) the Articles of Association provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;

(f) each of our Controlling Shareholders undertakes to provide all information necessary including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(g) our Company will disclose decisions on matters reviewed by our independent non-executive Directors either in its annual reports or by way of announcements as required by the GEM Listing Rules, including if any conflict of interests between our Group and our Controlling Shareholders is found;

(h) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the GEM Listing Rules and the Corporate Governance Code in Appendix C1 to the GEM Listing Rules. All of the members of our Audit Committee, including the chairperson, are independent non-executive Directors;

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

(j) we have appointed VBG Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders and to protect the interests of our Shareholders as a whole.