
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of [REDACTED], Mr. Chow, the Chairman of the Board, executive Director and Chief Executive Officer, will be interested in [REDACTED] Class A Shares, comprising (i) [REDACTED] Class A Shares beneficially held by himself, and (ii) [REDACTED] Class A Shares through Lalatech Underscore, a company wholly-owned by Lalatech One, which is in turn wholly-owned by the Chow’s Family Trust that was established by Mr. Chow (as the settlor) for the benefit of himself and his family members.

Each Class A Shares has ten votes per share, capable of being exercised on resolutions in general meeting. Assuming the [REDACTED] is not exercised and the [REDACTED] are completed, (a) the shareholding of Mr. Chow will be approximately [REDACTED]% of our issued Shares; (b) the effective voting rights in our Company of Mr. Chow with respect to Shareholders’ resolutions relating to matters other than the Reserved Matters will be approximately [REDACTED]%, on the basis that Class A Shares entitle the Shareholder to ten votes per share and Class B Shares entitle the Shareholder to one vote per share; and (c) the effective voting rights in our Company of Mr. Chow with respect to Shareholders’ resolutions relating to Reserved Matters will be approximately [REDACTED]%, on the basis that each Share entitles the Shareholder to one vote per share.

Therefore, Mr. Chow, and the intermediary companies through which he controls his interest in our Company, namely Lalatech Underscore and Lalatech One, will be the Controlling Shareholders of our Company after the [REDACTED].

For further information about the weighted voting rights attached to the Class A Shares, see “Share Capital”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their close associates after [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Mr. Chow, a Controlling Shareholder, is also one of our executive Directors. Upon [REDACTED], our Board will consist of nine Directors comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) 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) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; 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 see “— Corporate Governance Measures” in this section below for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through our subsidiaries and Consolidated Affiliated Entities) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our

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Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business. Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining financing from third parties, if necessary, without relying on our Controlling Shareholders. There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates during the Track Record Period and as of the [REDACTED]. Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after [REDACTED].

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. In light of this, our Company has established a Corporate Governance Committee pursuant to Rule 8A.30 which [has adopted] terms of reference consistent with Appendix C1 to, and Rule 8A.30 of, the Listing Rules. The members of the Corporate Governance Committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong listed companies. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interest. We will adopt 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 the Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake 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 Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) 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;
- (g) we have appointed Somerley Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after [REDACTED].