OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Mr. Chen was interested in approximately 32.88% of the total issued share capital of our Company through (i) direct interest of 0.25% and (ii) indirect interest of 32.63% through Everwin Yuefu Investment, which is owned by Mr. Chen as to 90.00%. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), Mr. Chen and Everwin Yuefu Investment will hold in aggregate approximately **[REDACTED]**% of the issued share capital of our Company. Mr. Chen and Everwin Yuefu Investment will remain as our Single Largest Group of Shareholders upon completion of the **[REDACTED]**.

Mr. Chen is our executive Director and chairman of the Board. See "Directors and Senior Management" in this document.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Non-compete Undertakings

In order to avoid competition between the Single Largest Group of Shareholders and their respective controlled corporations (other than our Group) (the "**Related Parties**") and our Company, Everwin Yuefu Investment and Mr. Chen executed a non-competition undertaking on August 20, 2010 and November 28, 2014, respectively, (the "**Non-Competition Undertakings**") to undertake that, for so long as Everwin Yuefu Investment and Mr. Chen remain as the actual controllers of our Company pursuant to the PRC laws and regulations:

(a) they will not, whether within or outside the PRC, directly or indirectly, engage in or participate in any business or activity that competes with our Company in any manner, including but not limited to sole proprietorship, joint ventures, or holding equity interests or other interests in any other company or enterprise;

(b) they will not engage in or participate in the production of any products that are identical to, similar to, or may substitute for the products of our Company;

(c) if they become aware of any business opportunity obtained from any third party that competes or may potentially compete with the business of our Company, he/it shall promptly notify our Company and shall procure that such business opportunity be offered to our Company; and

(d) they will not engage in or participate, by any means, in any business or activity that may adversely affect or potentially affect the operation or development of our Company.

Business Delineation

Apart from the investments in the Company, our Single Largest Group of Shareholders, individually or collectively, control companies which principally engage in (i) manufacturing of lightning protection equipment including power surge protectors, signal surge protectors, antenna feeder surge protectors and lightning protection enclosures, which are widely used in sectors such as railways, power and telecommunications through Shenzhen Haipengxin Electronics Co., Ltd. (深圳市海鵬信電子股份有限公司), a subsidiary of Everwin Yuefu Investment; and (ii) equity investment.

Each of our Single Largest Group of Shareholders has confirmed that he/it does not have any interests in any business (apart from the business of our Group) that competes or is likely to compete, directly or indirectly, with our principal business, which is required to be disclosed under Rule 8.10 of the Listing Rules.

Management Independence

Our Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors, and we also have seven senior management members, of which three are executive Directors. Mr. Chen, our executive Director and chairman of the Board, also holds a position in Everwin Yuefu Investment as its executive director.

Save as disclosed above, none of our Directors or members of our senior management team holds any position in any member of the Single Largest Group of Shareholders or their respective close associates.

Our Directors consider that we are capable of maintaining management independence for the following reasons:

(a) our daily management and operations are carried out independently by our 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 Company. For details of the industry experience of our senior management team, please refer to the section headed "Directors and Senior Management" in this Document;

(b) each Director 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 interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting. Hence, no Director will be able to influence our Board in making decisions on matters in which he or she is, or may be interested;

(d) we have three independent non-executive Directors, comprising one-third of the total seats on our Board. They have been appointed in compliance with the requirements under the 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 the independent non-executive Directors from different backgrounds provides a balance of views and opinions for our Board; and

(e) our Company is an A-share listed company and has adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and our Single Largest Group of Shareholders which would support our independent management. For details, see "– Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from our Single Largest Group of Shareholders and their respective close associates after the **[REDACTED]**.

Operational Independence

We do not rely on our Single Largest Group of Shareholders and their respective close associates for our daily operations. We have our own organizational structure with self-governing departments specializing in various aspects in relation to our business development, including but not limited to production, supply chain, sales and marketing, financing, human resources, administration, internal audit and legal and compliance which have been in operation and are expected to continue to operate separately and independently from our Single Largest Group of Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our businesses.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities, intellectual property rights and approvals and permits from the relevant regulatory authorities necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

We entered into certain continuing connected transactions with our connected persons. Such connected transactions are entered into for the daily operational need of our Company, and are entered into upon arm's length negotiation and on normal commercial terms or better. See section headed "Connected Transactions" for more details. Considering that these transactions did not and are not expected to involve significant transaction amounts and are not material to the operation of our Group's principal business, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Based on the above, our Directors believe that our business is operationally independent from our Single Largest Group of Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions independently according to our Company's own business needs. We have our own internal control and accounting systems and an independent finance department for discharging the treasury function and independent access to third-party financing. We do not expect to rely on our Single Largest Group of Shareholders and their respective close associates for financing after the **[REDACTED]** as we expect that our working capital will be funded by cash flows generated from operating activities, the cash and cash equivalents on hand as well as the **[REDACTED]** from the **[REDACTED]**.

In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Single Largest Group of Shareholders or their respective close associates. As of the Latest Practicable Date, we did not have any outstanding loans or guarantees provided by or granted to members of our Single Largest Group of Shareholders or their respective close associates, nor do we have any funds or assets occupied by members of our Single Largest Group of Shareholders or their respective close associates, or any shared bank accounts or commingled tax filing with the Single Largest Group of Shareholders or their respective controlled corporations.

Based on the above, our Directors believe that we are financially independent from our Single Largest Group of Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interests between our Company and our Single Largest Group of Shareholders and their respective close associates:

(a) where a Board meeting is held for the matters in which any Director or his/her associates have a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Group of Shareholders or any of their associates has a material interest, our Single Largest Group of Shareholders or any of their associates will not vote on the resolutions;

(c) as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon **[REDACTED]**. In particular, our Articles of Association provides that a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

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

(e) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experience, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see "Directors and Senior Management";

(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; and

(g) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and the 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 between our Company and our Single Largest Group of Shareholders, and to protect minority Shareholders' interests after the **[REDACTED]**.