OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Lu, our Chairman, executive Director and general manager, was entitled to directly exercise approximately 46.47% of the voting rights in our Company through: (i) approximately 41.17% directly held by him; (ii) approximately 4.73% of the voting rights in our Company directly held by SGI LLP to which Mr. Lu was its sole general partner; and (iii) approximately 0.57% of the voting rights in our Company directly held by SKCM LLP to which Mr. Lu was its sole general partner. Under the SFO, Mr. Lu is deemed to be interested in all the Shares held by SGI LLP and SKCM LLP.

Immediately following completion of the **[REDACTED]** and Conversion of Unlisted Shares (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**), Mr. Lu, SGI LLP and SKCM LLP will together own **[REDACTED]**% of the issued Shares in our Company and hence will be our Controlling Shareholders after **[REDACTED]**.

Save as mentioned above, there is no other person who will, immediately following completion of the **[REDACTED]** and Conversion of Unlisted Shares (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**), be directly or indirectly interested in more than 30% or more of the Shares in issue.

COMPETITION

Each member of our Controlling Shareholders has confirmed that, during Track Record Period and as at the Latest Practicable Date, he/it had not had 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.

UNDERTAKINGS

Our Controlling Shareholders have given certain undertakings in respect of the Shares (including those as required by Rules 10.07(1) and Note (3) to Rule 10.07(2) of the Listing Rules) to our Company, the Stock Exchange, the Sponsor, the **[REDACTED]** and the **[REDACTED]**. Please see the section headed "**[REDACTED]**" in this document for further details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises of four executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Lu is the Chairman, our executive Director and general manager. Please see the section headed "Directors and Senior Management" in this document for more information.

Save as disclosed in the section headed "Directors and Senior Management" in this document, there is no other relationship among the Directors. Notwithstanding that Mr. Lu, an executive Director, is the Controlling Shareholder, the Directors are of the view that our Company is capable of maintaining management independence as:

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders and their respective close associates because:

(a) our Group's strategies, management, operations and affairs are formulated, led, managed and/or supervised by our Board and not by any individual Director. All major and important corporate actions of our Company are and will be fully deliberated and determined by our Board collectively and objectively as a collective body;

(b) our Company has established corporate governance procedures in safeguarding the interests of the shareholders and enhancing shareholders' value. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit and in the best interest of our Group and must not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum;

(c) our Board comprises of nine Directors and three of them are independent non-executive Directors, which represents at least one-third of the members of our Board. This is in line with the requirements as set out in the Listing Rules; and

(d) our Board from time to time delegates certain functions to, and is assisted by its senior management in the implementation of the business plan and strategy as laid down by our Board. The day-to-day management and operations of our Group is operated independently from the influence of our Controlling Shareholders and their respective associates.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management are able to perform the managerial roles in our Group independently, and our Directors are of the view that we are capable of managing our business independent from our Controlling Shareholders and their respective close associates (other than our Group) after the **[REDACTED]**.

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We have our own organisational structure made up of divisions including the general manager's office, manufacturing, sales and customer service, R&D, operation, procurement and inventory management, quality control, finance and internal audit, as well as human resources. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our Group's business. Our Company holds the relevant licences and qualifications and owns the relevant intellectual properties necessary to carry out our current business, and has sufficient capital, facilities, equipment, technology and employees to operate our business independently from our Controlling Shareholders and their respective close associates. We have independent access to sources of suppliers and materials necessary for the operation of our business as well as customers which are all Independent Third Parties.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates after the **[REDACTED]**.

Financial Independence

We have established a financial system (including bank accounts) that operate independently. During the Track Record Period, certain banking facilities granted to our Group were secured by guarantees and collateral security provided by Mr. Lu, our Controlling Shareholder. As at the Latest Practicable Date, our Group had obtained consent-in-principle from the relevant banks for their agreements to release all such guarantees and collateral security provided to our Group by Mr. Lu upon **[REDACTED]**. As such, upon **[REDACTED]**, we will have independent access to third party financing without relying on any guarantee from Mr. Lu and his associates. All loans and advances due from/to Mr. Lu (if any) will be fully settled before **[REDACTED]**. Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders or any of their respective associates in the operation of its business.

Based on the above, our Directors are of the view that they and our senior management will be capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We would adopt the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their respective close associates:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders and their respective close associates has a material interest, our 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 our Controlling Shareholders and their respective associates, our Company will comply with the applicable Listing Rules;

(c) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to enable our Board to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our minority Shareholders. For details of our independent non-executive Directors, please see the section headed "Directors and Senior Management – Directors – Independent non-executive Directors" in this document;

(d) our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(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 as required by the Listing Rules;

(f) 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 purpose of their annual review;

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

(h) we have appointed South China 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 directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests that may arise between our Group and our Controlling Shareholders and their respective close associates, and to protect our minority Shareholders' interests after the **[REDACTED]**.