

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Upon the [REDACTED], Dr. Tang and Elegant Kindness will be the Controlling Shareholders of our Company under the Listing Rules holding approximately [REDACTED] of Shares immediately following the completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Shares to be issued upon exercise of the options under the Share Option Scheme).

Please refer to the section headed “Directors, Senior Management and Employees” in this [REDACTED] for further information of Dr. Tang. Elegant Kindness is an investment holding company with no business operation.

### INFORMATION OF OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

#### Excluded Business

Our Group principally engages in the Cable Business and the Prestressed Materials Business. As at the Latest Practicable Date, other than the businesses of the Cable Business and the Prestressed Materials Business carried out by the Group, our Controlling Shareholders and their close associates also had interests in other companies as mentioned below (collectively, the “Excluded Business”). These companies engage in businesses of different sectors from our Group, and brief details of each of the companies are summarised as follows:

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company
Shanghai Ossen Investment	98% by Dr. Tang <sup>(1)</sup>	Investment holding and trading of commodity steel products <sup>(2)</sup>
Ossen Material Research Institute	52% by Shanghai Ossen Investment and 48% by Dr. Tang	Research institute engaged in materials research and trading of commodity steel products <sup>(2)</sup>
Ossen Group PRC	40% by Shanghai Ossen Investment, 30% by Ossen Material Research Institute, and 30% by Dr. Tang	Investment holding and trading of chemical products

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Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company
Shanghai Push Medical Device Technology Co., Ltd.* (上海普實醫療器械科技有限公司)	42% by Dr. Tang <sup>(3)</sup>	Developing the technology of, manufacturing, sales, importing and exporting of medical equipment
Shanghai Aosheng Industrial Co., Ltd.* (上海奧盛實業有限公司)	51% by Ossen Group PRC and 49% by Dr. Tang	Investment holding company
Shanghai Aosheng Aviation Technology Co., Ltd.* (上海奧盛航空科技有限公司)	51% by Ossen Group PRC and 49% by Shanghai Aosheng Industrial Co., Ltd.* (上海奧盛實業有限公司)	Investment holding company
Shanghai JES Aerodynamic Technology Co., Ltd.* (上海佳士航空動力科技有限公司)	100% by Shanghai Aosheng Aviation Technology Co., Ltd.* (上海奧盛航空科技有限公司)	Design, developing and sales of aviation equipment

*Notes:*

- (1) Remaining 2% held by Mr. Zhou Xufeng, one of our executive Directors.
- (2) The steel products traded by Shanghai Ossen Investment and Ossen Material Research Institute are commodity products sold to trading companies, which are different from the highly processed prestressed materials products manufactured and supplied by our Group.
- (3) Remaining 58% held by individual shareholders engaged in the management of that company and not involved in the management of our Group.

As shown above, the principal business of each company in the Excluded Business differs from that of our Group, which principally engages in the Cable Business and the Prestressed Materials Business. Due to differences in principal business activities, the Excluded Business is not in competition directly or indirectly with those of our Group.

Our Directors have considered that it is not in the best interest of our Group to include the Excluded Business in our Group for the purpose of [REDACTED] in order for our Group to focus on the principal businesses of the Cable Business and the Prestressed Materials Business.

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### **Dr. Tang's role in the Excluded Business and our Group**

Dr. Tang is chairman of our Board and one of our executive Directors, and also has an executive role in the Excluded Business (other than Shanghai Ossen Investment). However, each of the operating companies in the Excluded Business has its own board and management team. Our Company has a Board including three other executive Directors, and a senior management team which is independent from the Excluded Business. Accordingly, although Dr. Tang will continue to fulfil an executive function in both our Group and the Excluded Business, each of our Group and the Excluded Business has its own management team in addition to Dr. Tang to manage their operations.

### **NO COMPETITION**

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge, belief and information, none of our Controlling Shareholders, our Directors and none of their respective associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Directors believe that our Group can function, operate and carry on our business independently from our Controlling Shareholders and their respective associates based on the following reasons:

#### **Independence of management and directorship**

Our Company has a Board and members of senior management that function independently from our Controlling Shareholders and their respective associates. Our Board is comprised of four executive Directors and three independent non-executive Directors. Our senior management consists of four members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

- (i) with three independent non-executive Directors out of a total of seven Directors in our Board, there will be a sufficiently independent view within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (ii) all our executive Directors (other than Dr. Tang) and members of our senior management are full-time employees of our Group and have, for the entire Track Record Period, undertaken senior management supervisory responsibilities in our business. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (iii) instances of actual or potential conflict have been minimised (by virtue of the Deed of Non-Competition);

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- (iv) 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 Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director;
- (v) all of the businesses that are related to the operation of Cable Business and Prestressed Materials Business held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganisation. Therefore, there is no competition that would adversely affect the management independence of our Group; and
- (vi) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders — Corporate Governance Measures".

### Operational independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to operate independently from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (i) our Company does not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities;
- (ii) our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (iii) our Company has our own administrative and corporate governance measures;
- (iv) our Company has established a set of internal control procedures to facilitate the effective operation of our business; and
- (v) all external services required by our Group are provided by Independent Third Parties; and
- (vi) we do not rely on our Controlling Shareholders for access to suppliers and customers.

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### Financial independence

We have our own finance department and independent accounting systems. In addition, 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, Dr. Tang and his related parties have provided guarantees to facilitate us to obtain credit facilities from various financial institutions. Please refer to Note 29 of the Accountants' Report in Appendix I to this [REDACTED]. In addition, during the Track Record Period, the Group has given limited guarantees to various banks to secure banking facilities granted to certain related parties which have all been released as of 30 June 2018. Please refer to Note 40 of the Accountants' Report. As of 31 October 2018, the amount of utilised banking credit facilities of our Group was approximately RMB1,077.9 million, of which approximately RMB438.1 million was secured by guarantees provided by Dr. Tang and his related parties. Save for the amount of approximately RMB122.8 million to be repaid using our [REDACTED] from the [REDACTED] within six months after the [REDACTED], the remaining credit facilities guarantee provided by Dr. Tang and his related parties will be settled or released prior to or upon the [REDACTED]. For details of the settlement of the aforesaid credit facilities, please refer to the section headed "Future Plans and [REDACTED] in this [REDACTED]. Our Board is of the view that our Group would be able to obtain its own financing to support its business operations without undue reliance on our Controlling Shareholders, their controlled entities or their respective associates after [REDACTED].

### NON-COMPETITION UNDERTAKING

Our Controlling Shareholders as covenantors (each a "Covenantor", collectively, the "Covenantors") executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the [REDACTED] and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be [REDACTED]; or (ii) the date on which the Covenantors cease to be a Controlling Shareholder:

#### (i) Non-competition

He/she/it will not, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates (collectively, the "Controlled Persons") and any company directly or indirectly controlled by the Covenantor (the "Controlled Company") not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong, the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the Cable Business and the Prestressed Materials Business (the "Restricted Business").

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The Deed of Non-Competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest no exceeding five per cent of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and the Relevant Company is listed in any recognised exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that (i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time; and (ii) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company.

### (ii) **New business opportunity**

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business (the "**New Business Opportunity**"):

- (a) he/she/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/she/it shall not, and shall procure that his/her/its Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/her/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptable Notice**"); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Director) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

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Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by our Board (including our independent non-executive Directors). The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

In order to ensure the performance the above non-competition undertakings, the Covenantors will:

- (i) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors), and shall not be counted towards the quorum for such meeting;
- (ii) as required by our Company, provide all information necessary for our independent non-executive Directors for conducting annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (iii) procure our Company to disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to the Company by the Controlling Shareholders was not taken up;
- (iv) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the Listing Rules; and
- (v) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under this Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (i) the Stock Exchange granting the [REDACTED] in, the Shares, as described in this [REDACTED], and (ii) the [REDACTED] in the Shares on Main Board taking place.

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### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following enhanced corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders as a whole:

- (i) our Directors will comply with our Articles of Association, which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her respective close associates is materially interested;
- (ii) our Director will ensure that any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors and their respective close associates will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;
- (iii) in respect of the business opportunity involving any material potential conflict of interests with the Controlling Shareholders, our Directors or their respective close associates, our independent non-executive Directors will review all information and documents in respect of the same;
- (iv) we also have an established compliance department headed by Ms. Zhang Wei Wen, our Director, to identify any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors or their respective close associates and conduct a review on the effectiveness of such internal control measures on an half-yearly basis to ensure due compliance with the Deed of Non-competition and execution of our conflict check mechanism;
- (v) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition in accordance with the Listing Rules;
- (vi) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-Competition in the annual reports or our Company or by way of announcement;
- (vii) all connected transactions between our Company and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;
- (viii) our Company has appointed a [REDACTED], which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and internal control; and

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- (ix) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "**CG Code**"), our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report.