
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, the equity interest of our Company was controlled directly as to approximately 56.28% by Lens Technology (HK), 5.78% by Changsha Qunxin and 0.07% by Mr. Cheng. 100% equity interest of Lens Technology (HK) was directly held by Ms. Chau and Changsha Qunxin was directly held as to 97.90% by Ms. Chau and 2.10% by Mr. Cheng. Ms. Chau and Mr. Cheng are spouses. For a simplified corporate structure chart of our Group before the [REDACTED], see “History, Development and Corporate Structure.”

Accordingly, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin will control in aggregate approximately [REDACTED]% of the total issued share capital of our Company and be entitled to exercise more than 30% of the voting power at Shareholders’ general meetings of our Company. As such, Ms. Chau, Mr. Cheng, Lens Technology (HK) and Changsha Qunxin will together constitute a group of Controlling Shareholders upon [REDACTED] under the Hong Kong Listing Rules.

CLEAR BUSINESS DELINEATION

Our Business

We are an industry-leading integrated one-stop precision manufacturing solution provider. We are focused on technological innovation and empowered by smart manufacturing. In terms of revenue in 2024, we are a global leading player in precision structural parts and modules integrated solutions for both consumer electronics and smart vehicles interaction systems. We have accumulated strong expertise and capabilities in consumer electronics and smart vehicles, with robust and comprehensive platform-based capabilities that include talent, technology, supply and smart manufacturing.

The Business of Our Controlling Shareholders

Lens Technology (HK) is an investment holding company incorporated under the laws of Hong Kong and Changsha Qunxin is an investment holding company incorporated under the laws of the PRC.

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, she/he/it 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 that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

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NON-COMPETE UNDERTAKINGS

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange and in order to avoid any potential competition between our Group and the Controlling Shareholders, the Controlling Shareholders provided a non-competition undertaking in favor of our Company on March 2, 2012 (the “**Non-competition Undertaking**”). Pursuant to the Non-competition Undertaking, each of the Controlling Shareholders has undertaken that:

- (i) the Controlling Shareholders and the companies controlled by them shall not directly or indirectly engage in any business that competes or may compete with the business operated by the Group, nor shall they invest in any other enterprises that compete or may compete with the business operated by the Group;
- (ii) if the Controlling Shareholders and the companies controlled by them expand the scope of their business, they shall not engage in any business that competes with the expanded business of the Group. If competition arises with the expanded business of the Group, the Controlling Shareholders and the companies controlled by them shall avoid such competition by either ceasing the operation of the competing business, incorporating the competing business into the Group’s operations, or transferring the competing business to an unrelated third party; and
- (iii) for so long as the Controlling Shareholders and the companies controlled by them remain as a related party of the Group, if the Controlling Shareholders and the companies controlled by them fail to comply with the relevant undertakings, they shall compensate the Group for all direct and indirect losses and will bear the corresponding legal responsibilities.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our business is managed and conducted by the Board and senior management of the Company. Upon [REDACTED], the Board will consist of seven Directors comprising three executive Directors and four independent non-executive Directors. For more information, see “Directors, Supervisors and Senior Management.” Our Directors consider that the Board, Supervisors and senior management of our Company are capable of functioning independently of our Controlling Shareholders for the following reasons:

- (i) our daily management and operations are carried out by a senior management team, all of whom have substantial experiences in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of the Group;

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- (ii) each Director is aware of her/his fiduciary duties as a director which require, among other things, that she/he must act for the benefit and in the interest of our Company and the Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;
- (iii) we have four independent non-executive Directors who individually and collectively possess requisite knowledge and experience, and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of the Board and protect the interest of our Company and our Shareholders as a whole;
- (iv) as an A-share listed company, we have formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shenzhen Stock Exchange. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which she/he or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and
- (v) 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. See “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the [REDACTED]:

- (i) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (ii) we have independent access to our customers and suppliers;
- (iii) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (iv) none of our Controlling Shareholders have any interests in any business which competes or is likely to compete with the business of our Group.

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Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the financial management, accounting, reporting and funding functions of our Group. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders to us.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders have a material interest, the relevant Controlling Shareholders will not vote on the relevant resolutions;
- (ii) our Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if our Company enters into connected transactions or related party transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable laws and regulations, including the Hong Kong Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by applicable laws and regulations, including the Hong Kong Listing Rules;
- (v) 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 expense;

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- (vi) we have appointed Gram Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance; and
- (vii) we have established the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee with written terms of reference in compliance with the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules (where applicable).

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 our minority Shareholders’ interests after the [REDACTED].