
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As of the Latest Practicable Date, Mr. Yang, father of Dr. Yang (chairman of the Board, executive Director and chief executive officer), is able to exercise approximately 78.29% voting rights in our Company through (i) 138,310,000 Shares directly held by him; (ii) 109,590,000 Shares held by Shuangdeng Investment; (iii) his control of 19,000,000 Shares of Taizhou Heying through controlling Taizhou Hanfu; and (iv) his control of 13,600,000 Shares of Taizhou Hexin through controlling Taizhou Hanfu. Taizhou Hechuang is the general partner of each of Taizhou Heying and Taizhou Hexin and the general partner of Taizhou Hechuang is Taizhou Hanfu. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Yang will be directly and indirectly entitled to exercise approximately [REDACTED]% voting rights in our Company. In addition, Shuangdeng Investment is owned by Mr. Yang and his spouse, Ms. Qian Wuzhen (錢五珍) as to 80% and 20%, respectively, thus Ms. Qian Wuzhen is deemed to be interested in all Shares held by Shuangdeng Investment by virtue of the SFO. Therefore, Mr. Yang, Ms. Qian Wuzhen, Shuangdeng Investment, Taizhou Hanfu, Taizhou Hechuang, Taizhou Heying and Taizhou Hexin will be regarded as a group of Controlling Shareholders under the Listing Rules upon the [REDACTED].

Other than the controlling interests in the Group, Mr. Yang and his son Dr. Yang also control or own other entities (the “**Excluded Entities**”) during the Track Record Period and up to the Latest Practicable Date. These Excluded Entities either principally engaged in businesses different from our Group, such as property development and leasing, production and sales of cables and inter cell connectors, or did not has actual business operation. None of such Excluded Entities were subject of any material non-compliance or were involved in any pending or threatened litigation, arbitration or administrative proceedings during the Track Record Period and up to the Latest Practicable Date.

Our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Company, 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.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after the [REDACTED], taking into consideration of the factors below.

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Management Independence

Our Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders for the following considerations:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details, see “Directors, Supervisors and Senior Management” in this document.
- (c) we have appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence with a view to bringing independent judgment to the decision-making process of our Board;
- (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 a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; 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. For details, see “— Corporate Governance” in this section.

In light of the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate independently from our Controlling Shareholders and their close associates. We hold all the requisite licenses, intellectual property rights and qualifications that are material to carry on our principal business. We also have independent access to suppliers and customers and have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates.

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Mr. Yang’s associates have been providing raw materials and leases to our Group during the Track Record Period. Such transactions are expected to continue after the [REDACTED]. For details, see “Connected Transactions” in this document. Save for the connected transactions set out in this section and as disclosed in “Connected Transactions” in this document, our Directors do not expect there to be any other transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after the [REDACTED]. In addition, none of our Controlling Shareholders and Directors or their respective close associates has been our major supplier or customer which provides any critical services or materials for our operation. Thus, the existence of the above continuing connected transactions will not affect our operational independence from our Controlling Shareholders after the [REDACTED].

While some of such Excluded Entities also use the same brand name “Shuangdeng (雙登)” with our Group, there is no disagreements or disputes in relation to the intellectual property rights among the Group and such Excluded Entities. Save as the connected transactions as disclosed in the “Connected Transactions” in this document, Mr. Wang Jin (our independent non-executive Director) serves as an independent director of Shuangdeng Cable Co., Ltd. (雙登電纜股份有限公司) and the use of same brand name, there is no sharing and/or transfer of personnels/resources between the Group and the Excluded Entities. Based on the above, our Directors believe that we will be able to operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have established an independent finance department with a team of financial staff and an independent audit, accounting and financial management system.

In addition, we have been and are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their close associates. As of the Latest Practicable Date, there was no loan, advance or guarantee provided by our Controlling Shareholders or their close associates.

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

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CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted 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 our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholders or their associate will not vote on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) our Board consists of a balanced composition of executive Directors, non-executive Director and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review 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;
- (d) 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
- (e) we have appointed Orient Capital (Hong Kong) 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 believe 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 Shareholders’ interests as a whole after the [REDACTED].