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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), our Company will be owned as to 43.91% by Red Fly. Red Fly is an investment holding company incorporated in the BVI with limited liability. It is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun. On the basis of (i) the Acting in Concert Undertaking; and (ii) that Mr. Dang Fei and Mr. Dang Jun hold their respective interests in our Company through a common investment holding company, i.e. Red Fly, which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company, Mr. Dang Fei, Mr. Dang Jun and Red Fly are regarded as a group of Controlling Shareholders.

For more information relating to Mr. Dang Fei and Mr. Dang Jun, see “Directors and Senior Management — Directors — Executive Directors” and “Directors and Senior Management — Senior Management”, respectively in this prospectus.

### ACTING IN CONCERT UNDERTAKING

Pursuant to the Acting in Concert Undertaking, among other things, Mr. Dang Fei and Mr. Dang Jun agreed that when making any major decision which has or is likely to have a material impact on the operation of our Group, they would first convene a meeting therefor and reach a consensus on the proposed matter. In the event that Mr. Dang Fei and Mr. Dang Jun are unable to reach a consensus on those major decisions, the decision shall be made by a simple majority with reference to the percentage of shareholding held by Mr. Dang Fei and Mr. Dang Jun in Red Fly. They will continue to act in accordance with the terms of the Acting in Concert Undertaking until the earlier of (i) the confirmation being terminated by the parties in writing or (ii) Mr. Dang Fei or Mr. Dang Jun ceasing to be the ultimate beneficial owner of our Company.

### RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors and their respective close associates does not have any interest apart from the business of our Group which competes or may compete with the business of our Group and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, each of our Controlling Shareholders has given certain non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed “Non-competition Undertakings” in this section below.

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

#### **Management independence**

We have an independent management team comprising our executive Directors and our senior management who have substantial experience in our business. Our management team is able to implement our policies and strategies and perform their roles in our Company independently.

We aim at establishing and maintaining a strong and independent Board to oversee our business. Our Board consists of eight Directors, comprising four executive Directors, one non-executive Director, and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Our Company will have a common director with Red Fly, namely Mr. Dang Fei. Despite the common directorship, our Company believes that the management independence between (i) our Company and (ii) Red Fly will be maintained as Red Fly, being our Controlling Shareholder, is only an investment holding company.

Further, each of our Directors is aware of his/her fiduciary duties as a Director which require, among other, that he/she acts for the benefit and in the best interests of our Company and our Shareholders as a whole, and that no conflict between his/her duties as a Director and his/her personal interest is allowed to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum. In case Mr. Dang Fei is required to abstain from voting at Board meetings due to potential conflict of interest, other executive Directors, the non-executive Director and our independent non-executive Directors will be able to form a quorum and ensure that the decisions of our Board are made after due consideration of independent and impartial opinion.

In view of the aforesaid, our Directors are of the view that we are capable of managing the business of our Group independently of our Controlling Shareholders and their respective close associates after the Listing.

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### **Operational independence**

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, sales and marketing as well as general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, we have sufficient capital, equipment and employees to operate our businesses independently. We have also established various internal control procedures to facilitate the effective operations of our business.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

### **Financial independence**

We have our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. We make financial decisions according to our own business needs.

Our accounting and finance department will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

All financial assistance, including amounts due to, and loans or guarantees provided by our Controlling Shareholders or their respective close associates to our Group, were/will be repaid or released or otherwise settled in full upon the Listing.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our Group's business operations and we are able to obtain external financing on market terms and conditions for our business operations as and when required.

### **NON-COMPETITION UNDERTAKINGS**

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) and confirm that none of them nor any of their close associates (other than any member of our Group) is involved or engaged in any business which, directly or indirectly, competes or may compete with the business of our Group, or has any interest (whether directly or indirectly) in such business.

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Pursuant to the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on GEM; (b) the date on which the Covenantors cease to be a Controlling Shareholder; or (c) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of our Company:

### 1. Non-competition

He/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (excluding any member of our Group) (the “**Controlled Company**”) not to, either on his/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or may compete with the business carried on or contemplated to be carried on by our Group in the PRC and such other places as our Group may conduct or carry on business from time to time, including but not limited to the manufacturing, processing and sale of wires and cables in the PRC (the “**Restricted Business**”).

The Deed of Non-competition does not apply if the Controlled Person(s) and Controlled Company(ies) in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed on any recognised stock exchange, notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Group, provided that:

- (a) the shareholding of any one holder (and his/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Person(s) and the Controlled Company(ies) in aggregate at any time;
- (b) 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/its shareholding in the Relevant Company; and
- (c) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

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### 2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “**New Business Opportunity**”):

- (a) he/it shall within ten 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/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) 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 (a) 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-acceptance Notice**”); or (b) 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 his attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including the 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. 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 and our Company as a whole.

### 3. Corporate governance measures

In order to resolve actual or potential conflicts of interests between our Company and our Controlling Shareholders and to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) 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 and shall not be counted towards the quorum for such meeting;

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- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual review on the compliance with the terms of the Deed of Non-competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue an announcement in relation to any decision made by our independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reason in case of decline;
- (d) disclose the decision(s) and related basis on matters reviewed by the independent non-executive Directors in relation to our compliance with the terms of the Deed of Non-competition and make a declaration in relation to the compliance with 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 requirements of the GEM Listing Rules; and
- (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company and/or our subsidiaries against any loss, liability, damage, cost, fee and expense arising out of or in connection with any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Stock Exchange granting the listing of, and the permission to deal in, our Shares; and (b) the Listing and dealings in our Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or may compete with the business of our Group, our Directors are of the view that we are capable of carrying on our Group's business independently of the Covenantors after the Listing.