

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the date of this prospectus, the issued share capital of our Company is owned as to 88.70% by ZED and as to 0.22% by Van Group Limited (a direct wholly owned subsidiary of ZED). ZED is in turn wholly owned by Ms. Pan.

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any outstanding share options granted under the Pre-IPO Share Option Scheme) and the Capitalisation Issue, Ms. Pan, through ZED and Van Group Limited, will be indirectly interested in approximately 77.36% of the issued share capital of our Company. Accordingly, each of Ms. Pan, ZED and Van Group Limited will remain as a Controlling Shareholder of our Company immediately following the completion of the Global Offering.

For more information relating to our Controlling Shareholders and their shareholdings in our Company, please refer to the sections headed “History, Reorganisation and Corporate Structure” and “Substantial Shareholders” for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are of the view that, our Group is capable of carrying on its businesses independently from our Controlling Shareholders and their respective close associates following the completion of the Global Offering.

Clear Delineation of Business and No Competing Interest

There is a clear delineation of the business of our Group with that of our Controlling Shareholders.

As at the Latest Practicable Date, each of our Controlling Shareholders confirmed that she/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 Group’s business.

Management Independence

Our Board consists of nine Directors, comprising five executive Directors (including Ms. Pan, our Controlling Shareholder), one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and members of our senior management, almost all of whom have served our Group for a long time and have substantial experience in the industry in which we operate. Please refer to the section headed “Directors and Senior Management” for details.

Our Directors are of the view that our Board and our senior management are able to function independently of our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act 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;

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- (b) more than half of the members of our Board (comprising three executive Directors (being Ms. Luo Dong, Ms. Xiao Haishan and Mr. Poon Kwok Leung), the sole non-executive Director (being Mr. Cao Wei) and all of the independent non-executive Directors) are (i) independent of, and do not have any directorships and/or other roles in, our corporate Controlling Shareholders and (ii) not related to Ms. Pan or Mr. Luo;
- (c) our independent non-executive Directors bring independent judgement to the decision-making process of our Board from time to time;
- (d) other than Ms. Pan and Mr. Luo, none of the members of our senior management (i) has any directorships and/or other roles in our corporate Controlling Shareholders or (ii) is related to Ms. Pan or Mr. Luo;
- (e) each of Ms. Pan and Mr. Luo devotes almost all her/his working time as an executive Director and other senior management roles in our Group;
- (f) pursuant to the Articles, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting; and
- (g) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to the subsection headed “Corporate Governance Measures” below for details.

Operational Independence

Our Company (through its operating subsidiaries) holds or enjoys the benefit of all relevant licences necessary to carry out its business in all material respects, and has sufficient capital, equipment, production facilities and employees to operate our business (including, but not limited to, product development and marketing and sales activities) independently from our Controlling Shareholders. Each of ZED and Van Group Limited is an investment holding company, and we do not rely on any of their respective operational, administration or human resources services. Further, we do not have any recurring transactions with our Controlling Shareholders and their respective close associates.

In addition, our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that our Group has been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

Our Group has sufficient funds to support its business operations, and has its own internal control, accounting, funding, reporting and financial management system and accounting and finance department independent from our Controlling Shareholders.

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In addition, our Group does not rely on our Controlling Shareholders and/or their respective close associates for the provision of financial assistance. Our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to or for the benefit of our Group. Our Directors also believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that our Group was able to operate financially independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to be financially independent.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended the Articles to comply with the Listing Rules. In particular, the Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) where a Shareholders' meeting is to be held for considering proposed transactions in which a Controlling Shareholder or any of her/its close associates has a material interest, such Controlling Shareholder will abstain from voting on the relevant resolutions;
- (c) our Company has established internal control mechanisms to identify connected transactions under the Listing Rules. Upon the Listing, if our Company enters into connected transactions with a connected person (including the Controlling Shareholder or any of her/its associates), our Company will comply with the applicable requirements under the Listing Rules;
- (d) our Company is committed to ensuring that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experience, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;
- (e) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group on one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration and our independent non-executive Directors can seek advice from independent advisers at the cost of our Company where necessary; and

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- (f) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.