

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng will control more than 30% of the issued share capital of the Company, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng are the Controlling Shareholders of the Company. Each of Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the Group's business.

Management independence

The Group has its own management team with substantial experience and expertise in consumer electronic products industry independent from the Controlling Shareholders or their respective associates.

Despite the fact that all the executive Directors are also the senior management of the Group, the Directors are of the view that the following control mechanism could enable the Directors to discharge their duties appropriately, minimise or, if possible, avoid potential conflicts of interest and safeguard the interests of the Shareholders as a whole:

(a) *Composition of the Board*

The Board comprises eight Directors, of whom five are executive Directors and three are independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

(b) *Participation in general meetings and voting therein*

The Articles of Association do not impose any restriction on the Shareholders to attend general meetings of the Company nor to vote on any resolution proposed therein. Should there be any potential conflict of interest arising out of any transaction to be entered into by the Group, the interested Director(s) shall, as required under the Listing Rules and the Articles of Association, abstain from voting at the relevant board meeting of the Company in respect of such transaction and shall not be counted as quorum. Besides, the Company shall comply with Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval so as to ensure the best interests of the Company are being served.

In addition, the Group has executive Directors and a senior management team to carry out the business decisions of the Group independently.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Having considered the above factors, the Directors are satisfied that the management team of the Group is able to perform its stewardship role in the Company independently, and the Directors are of the view that the Group is capable of managing its business independently from the Controlling Shareholders.

Operational independence

The Group has an independent work force to conduct its business and has not shared its operational team with the Controlling Shareholders' business outside the Group. Although during the Track Record Period, there had been certain transactions between the Group and its related parties, details of which are set out in note 40 to the Accountants' Report in Appendix I to this prospectus, the Directors confirmed that these related party transactions were conducted in the ordinary course of business of the Group and on fair and reasonable normal commercial terms.

Financial independence

The Group has an independent financial system and makes financial decisions according to the Group's own business needs. Mr. Cheng, one of the Controlling Shareholders of the Company, had provided personal guarantees for the Group's banking facilities for unlimited amount during the Track Record Period. Save as disclosed as aforesaid, no other amount was due to the Controlling Shareholders of the Company from the Group. All the relevant banks will release Mr. Cheng's personal guarantees upon Listing.

The Directors believe that the Group is capable of obtaining further financing from third parties, if necessary, on market terms and conditions without reliance on the Controlling Shareholders.

Corporate governance

The Board consists of three independent non-executive Directors to ensure that the Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to the Shareholders. The Group will ensure that the independent non-executive Directors are of sufficient calibre, knowledge and experience, have no prior connections or relationship with the Group or its connected persons and will carry weight in the Group's decision-making process.

Competing interests

None of the Controlling Shareholders and their respective associates has any interest in a business which competes or is likely to complete either directly or indirectly with the business of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Non-competition undertaking

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has entered into a deed of non-competition in favour of the Company, pursuant to which each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has undertaken, subject to the exceptions mentioned below, that he/she/it will not, and will procure that neither his/her/its respective associates nor companies controlled by him/her/it (other than the Group) will directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in this prospectus in any area in which the Group carries on business ("**Restricted Activity**").

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, if (i) such company whose shares are listed on a recognised stock exchange; and (ii) the total number of the shares held by each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune and his/her/its respective associates does not amount to more than 10% of the issued shares of such company; and (iii) each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune or his/her/its respective associates are not entitled to appoint a majority of the directors or management of such company.

The obligations of each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune under the deed of non-competition will remain in effect until (i) the day on which the Shares cease to be listed on the Stock Exchange or another recognised stock exchange; or (ii) the date on which each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune and his/her/its respective associates cease to own 30% or more of the then issued share capital of the Company directly or indirectly, whichever occurs first.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has undertaken to the Company that he/she/it will, during the term of the deed of non-competition, indemnify and keep indemnified the Company and the Group against any loss suffered by the Company or the Group (as relevant) arising out of any breach of any of his/her/its undertakings under the deed of non-competition.