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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

As of the Latest Practicable Date, our Company was held as to (i) approximately 37.49% by Luxshare Limited, a company owned as to 50% by Ms. Wang and 50% by Mr. Wang; and (ii) approximately 0.27% by Mr. Wang. Immediately upon completion of the [REDACTED], assuming that the [REDACTED], the options granted under the Share Option Incentive Plans and the conversion rights for the outstanding Convertible Bonds are not exercised and no changes are made to the total issued share capital of our Company since the Latest Practicable Date and up to the [REDACTED], Ms. Wang, Mr. Wang and Luxshare Limited will control in aggregate approximately [REDACTED] of the total issued share capital of our Company. Accordingly, Ms. Wang, Mr. Wang and Luxshare Limited constitute a group of our Controlling Shareholders under the Listing Rules.

### DELINEATION OF BUSINESS

Our Group is principally engaged in provision of cross-sector, vertically integrated development and intelligent manufacturing solutions—from components and modules to systems—for global clients across consumer electronics, automotive electronics, communication and data centers, and other end markets.

Apart from the business of our Group, Ms. Wang and Mr. Wang also control companies, including Luxshare Limited, Luxvisions Innovation and their subsidiaries, which primarily engage in (i) designing, developing and manufacturing advanced interface solutions for vehicle interiors (the “**BCS Business**”); (ii) providing original equipment manufacturer services for mobile phone assembly (the “**Lizhen Business**”); and (iii) designing, developing and manufacturing precision optical modules and solutions (the “**Luxvisions Business**”, together with the BCS Business and Lizhen Business, the “**Other Businesses**”).

The following sets forth illustration on the differences between our principal business and the Other Businesses:

#### **BCS Business**

BCS Business focuses on the provision of human-machine interaction interface solutions for vehicle interiors. The main products of BCS Business are application systems include automotive switches, control panels and rain/light sensor systems, serving functions such as lighting, visual effects and intelligent control. These products, which are visible or touchable by the end-user within and outside the vehicle cabin, normally require strict specifications for actuation feel, appearance and noise. The primary manufacturing processes of BCS Business include injection moulding, lubrication application, clip pressing, electric resistance welding, mechanical key force and displacement testing, touch calibration testing and testing of luminous flux for light sources.

In contrast, our automotive electronics business focuses on electrical energy transmission and signal interaction in vehicles. Our main products of automotive electronics include (i) components such as vehicle wiring harnesses and connectors, special wiring harnesses and busbars; (ii) modules such as wireless charging modules, ultra-wideband digital keys, airbag control units, smart junction boxes, battery management system; and (iii) systems such as automotive vascular and nervous systems, smart domain control system, intelligent cockpit system, smart chassis system and powertrain system. These components, modules and systems, which normally are not visible or touchable by the end-user, serve functions like blood vessels and nerves within the vehicle cabin. Accordingly, the requirements of actuation feel, appearance and noise for such products are limited. Instead, our products such as smart

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domain control system and intelligent cockpit system require highly complex software control logic. The primary manufacturing processes of our automotive electronics business include metal casting and processing, screw fastening, precision module lamination, electrical performance testing and aging testing.

### **Lizhen Business**

Lizhen Business focuses on the provision of original equipment manufacturer services for mobile phone assembly. As an original equipment manufacturer services provider, Lizhen Business primarily builds products based on the customers' designs and specifications, with little involvement in product design and R&D services.

After the acquisition of Wingtech ODM Business, the business of our Group involves in original design manufacturer services for mobile phone assembly. As an original design manufacturer services provider, we offer design, R&D and manufacturing capabilities for our customers. We are not involved in provision of original equipment manufacturer services for mobile phone assembly. Due to the different business natures, the customers and pricing models between Lizhen Business and our business in terms of mobile phone assembly are distinctive as well.

### **Luxvisions Business**

Luxvisions Business focuses on the provision of cross-sector, customized precision optical solutions encompassing camera modules, optical components and system integration that realize critical optical functions, and strives to empower global smart device customers with a superior visual and imaging experience. The key technologies of Luxvisions Business encompass optical module simulation, glue research and development, equipment automation and active alignment technologies, emphasizing the technical depth of precision optical systems.

As our business are not involved in the provision of optical solutions to realize optical functions, Luxvisions Business is distinctive and separate from our business based on their business nature, product types and functions as well as technologies applied.

Based on the above, our Directors are of the view that there is a clear business delineation between our Group and the Other Businesses, which will not and is unlikely to compete with the business of our Group.

As of the Latest Practicable Date, none of our Controlling Shareholders and their close associates had any interest in a business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

### **NON-COMPETE UNDERTAKINGS**

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange, our Controlling Shareholders provided certain non-competition undertakings in favor of our Company on July 30, 2010, pursuant to which Controlling Shareholders have undertaken that, among others:

- (i) they had not been engaged in any business that had been the same as or similar to our business;

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- (ii) for so long as they retain control over our Company, they will strictly comply with the applicable laws and regulations, and will not, directly or indirectly, engage in any business that is the same as, similar to or substantially in competition with our business, or have substantial or relative control over any other entity engaging in any business that is the same as, similar to or substantially in competition with our business;
- (iii) they will use their control over the other entities controlled by them to cause such entities to fulfill the undertakings above in the same manner; and
- (iv) if they breach any undertaking above, they agree to assume the relevant legal liabilities, including without limitation to, indemnify our Company and our minority shareholders for all losses arising therefrom.

For the purpose of subsequent fund-raising activities, Luxshare Limited further provided certain non-competition undertakings in favor of our Company on October 15, 2014 and November 13, 2022, pursuant to which it has undertaken that, among others:

- (i) it and all other entities controlled by it will not, directly or indirectly, engage in any business or activities that competes or is likely to compete for potentially compete with our main business;
- (ii) if any amendment to applicable laws or change in applicable policy results in any actual or potential competition between it or entities controlled by it and our Company, our Company shall have the preemptive right on the same terms in respect of management or acquisition of such business; and
- (iii) for so long as it remains as the controlling shareholder of our Company, the undertakings above shall be unconditional and irrevocable. If it breaches any undertaking above, it will fully, timely and adequately indemnify the losses of our Company arising therefrom.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED] for the following reasons:

### Management Independence

Our business is managed and conducted by our Board and senior management. Each of our Directors and members of our senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management” in this document.

Our Board comprises five executive Directors and three independent non-executive Directors. Save for Ms. Wang and Mr. Wang, our Controlling Shareholders and executive Directors, who are currently holding non-executive directorships in the Other Businesses in which they hold investments, none of our Directors or senior management holds any position in our Controlling Shareholders or their close associates.

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Despite their overlapping roles, Ms. Wang and Mr. Wang have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management and they will continue to focus on our Group’s business. When performing their duties, they have been and will continue to be supported by the separate senior management team of our Group, which are independent from our Controlling Shareholders and their respective close associates. Our executive Directors and senior management team have adequate relevant experience to manage our business and operations independently from our Controlling Shareholders and their respective close associations.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Board comprises eight Directors, including three independent non-executive Directors. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review.

In addition, 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. We have also adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders that would support our independent management. See “—Corporate Governance Measures” in this section.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

### **Operational Independence**

We have full rights to make all decisions on, and carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED].

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business. We also have independent access to our customers and suppliers as well as our business partners. Our administration and operation are carried out by a full-time independent management team and staff which carried out all key administrative functions without reliance on our Controlling Shareholders and their respective close associates.

We have our own production bases all around the globe, including in Asia, Europe, Americas and Africa. We have our own production team dedicated to our production and operating process and the production bases have been and will be operated by our own production team. Save for certain premises with a total GFA of approximately 194,980 sq.m. leased from certain close associates of our Controlling Shareholders on terms which are comparable to market terms for our production and other commercial uses, all the properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective associates.

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The section headed “Connected Transactions” in this document sets out the continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after [REDACTED]. The terms of all such transactions are determined after arm’s length negotiations and on normal commercial terms. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Based on the reasons above, our Directors are of the view that we have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED].

### Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. We also have our own internal control and accounting systems, accounting and finance department for discharging the treasury function, which all are independent from our Controlling Shareholders and their respective close associates. Moreover, our Board has established the Audit Committee comprising solely of independent non-executive Directors to provide independent oversight to, among others, our accounting and financial reporting processes.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders or their respective close associates to us. We are capable of obtaining financing from Independent Third Parties without reliance on our Controlling Shareholders or their respective close associates in view of our Group’s strong financial position, steady cash flow generation and level of liquid assets as well as our ability to raise funds on a standalone basis.

Based on the above, our Directors believe that we are able to conduct our business independently from our Controlling Shareholders and their close associates from a financial perspective and are able to maintain financial independence and would not place undue reliance on our Controlling Shareholders or their close associates.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided 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 associates have a material interest nor shall such Director be counted in the quorum present at the meeting in respect of the resolution considering the approval of such contract or arrangement or proposal. In addition, where a general of our Shareholders is to be held for considering proposed transactions in which any of our Controlling Shareholders or their respective close associates has a material interest, the relevant Controlling Shareholders shall abstain from voting on the relevant resolutions;
- (b) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide

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professional advice to our Shareholders. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our [REDACTED]. For details of our independent non-executive Directors, please refer to “Directors and Senior Management—Board of Directors—Independent non-executive Directors” in this document;

- (c) we have appointed Frontpage Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, 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;
- (d) our Company has established internal control mechanisms to identify connected transactions. Upon and after 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;
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and
- (f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

Based on the above, our Directors believe that there are sufficient and adequate corporate governance measures in place to manage existing and potential conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].