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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

Pursuant to the Concert Party Agreement dated June 10, 2015, as amended and supplemented by the Supplemental Agreement to the Concert Party Agreement dated January 21, 2021, Hongshun Xiangtai (wholly owned by Dr. Zhang), Baoli Hongya (wholly owned by Ms. Zhang), Power Trend (indirectly wholly owned by Ms. Wen Li), Ms. Zhang and Mr. Lin Lin agreed that, among others, for so long as Hongshun Xiangtai remains a Shareholder, they would act in concert with Hongshun Xiangtai in respect of matters related to business decisions, including exercising voting rights at the Shareholders’ meetings, the right to submit proposals to the Board and the Shareholders’ meetings, and the right to nominate Directors, independent Directors, and supervisors.

As of the Latest Practicable Date, (i) Dr. Zhang was entitled to exercise approximately 18.93% of the voting rights in the Company through 117,449,624 Shares held by Hongshun Xiangtai, (ii) Ms. Zhang was entitled to exercise approximately 8.31% of the voting rights in our Company through 50,712,118 Shares held by Baoli Hongya and 896,461 Shares directly held by her, (iii) Mr. Lin Lin was entitled to exercise approximately 3.81% of the voting rights in the Company through 23,661,452 Shares directly held by him, and (iv) Ms. Wen Li, the spouse of Dr. Zhang, was entitled to exercise approximately 4.64% of the voting rights in the Company through 28,792,495 Shares held by Power Trend. By virtue of the Concert Party Agreement and the Supplemental Agreement to the Concert Party Agreement, Hongshun Xiangtai, Baoli Hongya, Power Trend, Dr. Zhang, Ms. Zhang, Mr. Lin Lin and Ms. Wen Li directly or indirectly controlled an aggregate of 221,512,150 Shares, representing approximately 35.69% of the voting rights in our Company as at the Latest Practicable Date.

Immediately after completion of the [REDACTED], Hongshun Xiangtai, Baoli Hongya, Power Trend, Dr. Zhang, Ms. Zhang, Mr. Lin Lin and Ms. Wen Li will in aggregate be entitled to exercise approximately [REDACTED]% of the voting rights in the Company (assuming that the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]). Accordingly, Hongshun Xiangtai, Baoli Hongya, Power Trend, Dr. Zhang, Ms. Zhang, Mr. Lin Lin and Ms. Wen Li will constitute a group of our Controlling Shareholders upon the completion of the [REDACTED].

### **COMPETITION**

Each of our Controlling Shareholders has confirmed that he/she/it does not have any interest in a business, apart from the business of the Group, 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 THE CONTROLLING SHAREHOLDERS**

Having considered the following factors, the Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates (other than the Group) after the [REDACTED].

#### **Management Independence**

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], the Board will consist of two executive Directors, two non-executive Directors and three independent non-executive Directors. See “Directors and Senior Management” for more details of our Directors and senior management.

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Save as disclosed below, none of our Directors or members of our senior management serves as a director or member of senior management in our Controlling Shareholders or their close associates (other than members of our Group):

<u>Name</u>	<u>Positions held in the Group</u>	<u>Major positions held in our Controlling Shareholders and their close associates (other than members of our Group)</u>	
		<u>Name of company</u>	<u>Position</u>
Dr. Zhang	Executive Director, chairman of the Board and general manager	Hongshun Xiangtai	Executive director and general manager
Ms. Zhang	Executive Director, deputy chairwoman of the Board, deputy general manager and secretary to the Board	Baoli Hongya	Executive director and general manager

Our Directors are of the view that the Company is able to carry on business independently from our Controlling Shareholders and their respective close associates from a management perspective for the following reasons:

- (i) each of Hongshun Xiangtai and Baoli Hongya is an investment holding company and had no actual business operation as of the Latest Practicable Date. Dr. Zhang and Ms. Zhang will have sufficient time and resources to serve on our Board or as senior management members, and their positions in the aforementioned companies will not affect their discharge of duties and responsibilities to our Group;
- (ii) each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit and in the best interest of the Group and must not allow any conflict between his/her duties as a Director and his/her personal interest;
- (iii) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between the Group and the Directors and/or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum;
- (iv) we will have three independent non-executive Directors, and certain matters of the Company must always be referred to the independent non-executive Directors for review; and
- (v) the Company is an A-share listed company and has adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and our Controlling Shareholders which would support our independent management.

Based on the above, the Directors are of the view that the Board as a whole is able to perform the management role in the Group independently from our Controlling Shareholders and their respective close associates (other than the Group) after the [REDACTED].

### **Operational Independence**

We have independent operating capabilities and management systems. We do not rely on any operational or administrative resources of our Controlling Shareholders or their respective close associates (other than the Group) for research and development, manufacturing, business development, staffing and administration (including financial and accounting management, human resources and

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information technology). We have independent access to suppliers and customers. We also possess the necessary licenses, certificates, facilities and intellectual property rights to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, the Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates (other than the Group) after the [REDACTED].

### **Financial Independence**

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of the Company. We make financial decisions and determine our use of funds according to our own business needs. We open and manage our bank accounts independently, and have not shared any bank account with our Controlling Shareholders and their respective close associates. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. As of the Latest Practicable Date, there was no outstanding loan, advance, balance of non-trade nature due to or from, or pledge or guarantee provided by our Controlling Shareholders or their respective associates, and we do not intend to rely on any member of our Controlling Shareholders in the future.

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

## **CORPORATE GOVERNANCE MEASURES**

The Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance. The Directors recognize the importance of good corporate governance in protecting the Shareholders’ interests. We would adopt the following measures to promote good corporate governance and to avoid potential conflict of interests between the Group and our Controlling Shareholders:

- (i) where a general meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (ii) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provides that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (iii) the Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if the Company enters into connected transactions with our Controlling Shareholders or any of their respective associates, the Company will comply with the applicable requirements under the Listing Rules;

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- (iv) we are committed that the 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 (a) possess sufficient experience, (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (c) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;
- (v) the independent non-executive Directors will review, on an annual and independent basis, whether there is any conflict of interests between the Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of minority Shareholders;
- (vi) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (vii) the Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (viii) where the Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at the Company’s expenses; and
- (ix) we have appointed Red Solar Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, the Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests that may arise between the Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the **[REDACTED]**.