

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER GROUP

OVERVIEW

As at the Latest Practicable Date, our Company was owned by Yuanjiesheng, Ningbo Kejun and Mr. Dai as to approximately 23.66%, 4.50% and 3.93%, respectively. Yuanjiesheng was owned by Mr. Dai as to approximately 55.48%. Mr. Dai served as the general partner of Ningbo Kejun. Therefore, Mr. Dai, Yuanjiesheng and Ningbo Kejun, as a group of Shareholders, were collectively interested in approximately 32.09% of the total issued share capital of our Company as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Dai, Yuanjiesheng and Ningbo Kejun will collectively control an aggregate of [REDACTED]% of the total issued share capital of our Company. Accordingly, Mr. Dai, Yuanjiesheng and Ningbo Kejun will be our Single Largest Shareholder Group upon the completion of the [REDACTED].

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independent from our Single Largest Shareholder Group after [REDACTED].

Management Independence

The business of the Group is managed and conducted by the Board and senior management of the Company. The Board consists of seven Directors, three of whom are independent non-executive Directors. See "Directors and Senior Management."

The Directors are of the view that the Board and senior management of the Company are able to manage the business of the Group independently from the Single Largest Shareholder Group for the following reasons:

- (i) each of the Directors is aware of his/her fiduciary duties and responsibilities under the Listing Rules as a director, which require that he/she acts in the best interests of the Company and the Shareholders as a whole;
- (ii) all decisions of the Board require the approval of a majority vote from the Board;
- (iii) the Company's daily management and operations are carried out by the senior management, all of whom have substantial experience in the industry where the Company operates, and will therefore be able to make business decisions that are in the best interests of the Group;
- (iv) 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. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and the Directors or their respective associates, the interested Director(s) is (are) required to declare the nature of such interest before voting at the relevant Board meetings in respect of such transactions;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER GROUP

- (v) the Company has appointed three independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between the Company and the Directors or their respective close associates; and
- (vi) we have adopted other corporate governance measures to manage conflicts of interest, if any, between the Group and the Single Largest Shareholder Group. See "— Corporate Governance Measures."

Having considered the above factors, our Directors are satisfied that our executive Directors and senior management are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Single Largest Shareholder Group after [REDACTED].

Operational Independence

The Group holds all the relevant material licenses, qualifications and permits required for conducting its business. The Group has sufficient capital, facilities and employees to operate its business independently from the Single Largest Shareholder Group. The Group also has independent access to its clients. The Group has its own accounting and financial department, human resources and administration department, internal control department and technology department. In addition, the Group has established its internal organizational and management structure which includes Shareholders' meetings, the Board and its committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

Based on the above, the Directors are of the view that the Group will be able to operate independently from the Single Largest Shareholder Group and its respective close associates after the [REDACTED].

Financial Independence

The Group has an independent financial system. The Group makes financial decisions according to its own business needs and the Single Largest Shareholder Group will not intervene with the Group's use of funds. The Group has opened accounts with banks independently and does not share any bank account with the Single Largest Shareholder Group or its respective close associates. The Group has established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. The Group has adequate internal resources and credit profile to support its daily operations. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Single Largest Shareholder Group or its respective close associates.

Based on the above, the Directors are of the view that the Group will be financially independent from the Single Largest Shareholder Group after the [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER GROUP

COMPETITION

Each member of the Single Largest Shareholder Group confirmed that, as of the Latest Practicable Date, he/it did not have any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

Although both the Company and UMT (a company incorporated in the PRC under the control of Mr. Dai) operate in the broader PV equipment industry, the Company believes that their businesses are clearly delineated and do not compete. The Company is principally engaged in PV cell manufacturing automation equipment, while UMT is engaged in process equipment for PV and semiconductor manufacturing. The two businesses differ in product nature, function, underlying technology and processing steps. The Company's products are primarily used for automation, transmission and integration of production processes, whereas UMT's products are primarily used for chemical processing steps. As the products are complementary rather than substitutable, and are designed to address different customer needs within the PV production process, the Directors believe that UMT does not compete, directly or indirectly, with the Group's business.

NON-COMPETITION UNDERTAKINGS

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange and in order to avoid any potential competition between our Group and our Single Largest Shareholder Group, Mr. Dai and Yuanjiesheng provided a non-competition undertaking in favor of our Company on January 8, 2019 (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, each of Mr. Dai and Yuanjiesheng has undertaken that:

- (i) he/it does not currently and will not in the future directly or indirectly engage in any activities that constitute competition with the current and future businesses of our Group, and agrees to compensate the Company for any economic losses caused by any violation of such commitments;
- (ii) with respect to other enterprises directly or indirectly controlled by him/it, he/it guarantees that such enterprises will fulfill the same obligations as set forth in the Non-competition Undertaking and will not engage in any competition with the Company. If any enterprise in which he/it invests, holds a position, or otherwise controls engages in business that constitutes competition or potential competition with the Company, he/it agrees to incorporate the equity or assets related to such business into the Company's operations or control, or to eliminate such competition through other legal and effective means. The Company reserves the right to require him/it to divest all of its shares in such enterprises at any time. He/it grants the Company the right of first refusal to acquire such shares under the same conditions and will ensure that the transaction price is fair and reasonable.
- (iii) he/it undertakes to immediately notify the Company if any business opportunities obtained from third parties that compete or potentially compete with the Company's business. He/it also undertakes to employ any other regulatory-approved solutions to ultimately eliminate his/its *de facto* management and operational rights over the assets/equity/business involved in such business opportunities, thereby avoiding competition with the Company.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER GROUP

- (iv) he/it promises to compensate the Company for any direct or indirect economic losses incurred by the Company as a result of any violation of any of the above terms of the Non-competition Undertaking and to properly address all subsequent matters.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, the Group will adopt the following corporate governance measures to manage any potential conflicts of interest with the Single Largest Shareholder Group:

- (i) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which the Single Largest Shareholder Group or any of its associates has a material interest, the Single Largest Shareholder Group shall abstain from voting, and their votes shall not be counted;
- (ii) the Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if the Company enters into connected transactions with the Single Largest Shareholder Group or any of its associates, the Company will comply with the applicable requirements under the Listing Rules;
- (iii) the Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). The Company has appointed three independent non-executive Directors, and the Company believes the independent non-executive Directors possess sufficient experiences and 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 the Shareholders as a whole. For details of the independent non-executive Directors, see "Directors and Senior Management — Directors — Independent Non-Executive Directors;"
- (iv) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the Single Largest Shareholder Group (the "Annual Review") and provide impartial and professional advice to protect the interests of minority Shareholders;
- (v) the Single Largest Shareholder Group will provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;
- (vi) the Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (vii) where the Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;
- (viii) the Company has appointed Orient Capital (Hong Kong) Limited as the Compliance Advisor, which will provide advice and guidance to the Company in

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER GROUP

- respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and corporate governance; and
- (ix) the Company has established Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee with written terms of reference in compliance with the Listing Rules. Based on the above, the Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between the Group and the Single Largest Shareholder Group, and to protect the minority Shareholders' interests after the [REDACTED].

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Single Largest Shareholder Group, and to protect our minority Shareholders' interests after the [REDACTED].