
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Our Group was co-founded by Mr. Bai and Ms. Zhu. As of the Latest Practicable Date, Mr. Bai and Ms. Zhu controlled in aggregate approximately 99.09% of the shareholding interests and voting power at the shareholders’ meetings of our Company, comprising the following: (1) Mr. Bai controlled approximately 70.05% of the shareholding interests and voting power at the shareholders’ meetings of our Company, comprising (a) 12.48% beneficially owned by him directly; (b) 12.57% beneficially owned ADTEK Elite No.1 ESOP, an employee share ownership platform controlled by Mr. Bai as the general partner; and (c) 45.00% beneficially owned by Mont Investment, a Hong Kong company wholly owned by Mr. Bai; and (2) Ms. Zhu controlled approximately 29.04% of the shareholding interests and voting power at the shareholders’ meetings of our Company, comprising (a) 25.02% beneficially owned by her directly; and (b) 4.02% beneficially owned in aggregate by ADTEK Elite No.2 ESOP and ADTEK Elite No.3 ESOP, employee share ownership platforms each controlled by Ms. Zhu as the general partner. Upon the [REDACTED] and pursuant to the issuance of new Shares under the [REDACTED], Mr. Bai and Ms. Zhu will control approximately [REDACTED]% of the shareholding interests and voting power at the shareholders’ meetings of our Company, comprising (i) [REDACTED]% beneficially owned by Mr. Bai and Ms. Zhu directly; (ii) [REDACTED]% beneficially owned by Mont Investment; and (iii) [REDACTED]% beneficially owned in aggregate by ADTEK Elite No.1 ESOP, ADTEK Elite No.2 ESOP and ADTEK Elite No.3 ESOP, assuming the [REDACTED] is not exercised. Therefore, Mr. Bai, Ms. Zhu, Mont Investment, ADTEK Elite No.1 ESOP, ADTEK Elite No.2 ESOP and ADTEK Elite No.3 ESOP are the Controlling Shareholder Group as of the Latest Practicable Date and upon the [REDACTED].

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management Independence

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

Although Mr. Bai and Ms. Zhu, each being a member of our group of Controlling Shareholders, also serve as our executive Directors and senior management, our Directors believe that our Board and senior management are able to manage our business and function independently from our Controlling Shareholders based on the following reasons:

- (1) each of our Directors is aware of his/her fiduciary duties as a Director of our Company 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 interest;
- (2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Directors 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;

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- (3) we have three independent non-executive Directors, who have extensive experience in different areas and have been appointed to ensure that the decisions of our Board are made 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 accordance with the Listing Rules, the applicable laws and our Articles of Association and internal policies;
- (4) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of our Group; and
- (5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance.”

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our group of Controlling Shareholders following the completion of the [REDACTED].

Operation Independence

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system. Our Group’s accounting and finance functions are independent of our Controlling Shareholders and their respective close associates. Our Group makes financial decisions according to our own business needs. Our Group’s major finance operations are handled by our financial management department, which operates independently from our Controlling Shareholders and their close associates. We do not share any other functions or resources with any of our Controlling Shareholders or their respective close associates.

During the Track Record Period, we primarily financed our business operations through either cash generated from our business activities. During the Track Record Period, certain of the Group’s borrowings of approximately were partly guaranteed by members of our Controlling Shareholder Group, Mr. Bai and Ms. Zhu. Please see “Financial Information — Indebtedness” and Note 20 of the Accountants’ Report as set out in Appendix I to this document. As at the Latest Practicable Date, the relevant borrowings guaranteed in part by Mr. Bai and Ms. Zhu have been fully paid, which resulted in the full release of their respective guarantee obligations, and there was no arrangement involving the provision of any guarantee, security, or other form of financial assistance between our Group and any member the Controlling Shareholders Group.

Based on the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates.

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CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

- (1) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close 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;
- (2) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company’s expense;
- (4) we have appointed Lego Corporate Finance Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;
- (5) we have established the Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;
- (6) our Controlling Shareholders will confirm the status of their non-competing interest (if any) on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and
- (7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.