

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, the equity interest of our Company was controlled directly as to approximately 16.53% by Mr. Yuan Yonggang (袁永刚), approximately 13.51% by Mr. Yuan Yongfeng (袁永峰, the elder brother of Mr. Yuan Yonggang) and approximately 3.21% by Mr. Yuan Fugen (袁富根, the father of Mr. Yuan Yonggang and Mr. Yuan Yongfeng), which were collectively entitled to exercise approximately 33.26% of the voting rights at general meetings of the Company as of the Latest Practicable Date. For biographical details of Mr. Yuan Yonggang and Mr. Yuan Yongfeng, see “Directors and Senior Management”. For a simplified corporate structure chart of our Group before the [REDACTED], see “History, Development and Corporate Structure” in this Document.

Accordingly, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will control in aggregate approximately [REDACTED]% of the total issued share capital of our Company. As such, Mr. Yuan Yonggang, Mr. Yuan Yongfeng and Mr. Yuan Fugen will together constitute the Largest Group of Shareholders upon [REDACTED] under the Listing Rules.

DELINEATION OF BUSINESS BETWEEN US AND THE LARGEST GROUP OF SHAREHOLDERS

Principal Business of the Group

Through our commitment to innovation and a culture of continuous improvement, we have since evolved into a global leader in intelligent manufacturing. The principal business of the Group includes designing, manufacturing and selling PCBs, precision components, touch panels and LCMs and optical transceivers. By leveraging synergies across R&D, engineering, supply chain and operations, we deliver comprehensive solutions and offer an extensive multi-product portfolio to leading global technology companies. For details, see “Business – Our Products.”

Other Principle Business of the Largest Group of Shareholders

In addition to their interest in our Group, as of the Latest Practicable Date, the Largest Group of Shareholders and their close associates were also actively involved in businesses set forth below. There is a clear business delineation between these other businesses of the Largest Group of Shareholders and the Group’s operations.

Anhui Landun Photoelectron Co., Ltd. (安徽藍盾光電股份有限公司, “**Anhui Landun**”) is held as to 23.61% by Mr. Yuan Yonggang as of the Latest Practicable Date. Mr. Yuan Yonggang has also served as a director at Anhui Landun since January 2019. Anhui Landun was incorporated in the PRC in December 2001 and listed on the Shenzhen Stock Exchange in August 2020 with stock code 300862.SZ. Anhui Landun primarily engages in development and production of analytical measuring instruments and system integration used for ecological and environmental monitoring (air quality, water quality, noise, etc.), traffic management, and meteorological observation, and manufacturing of chemical raw materials and chemical products.

Shanghai Corkuna New Material Technologies Co., Ltd. (上海科谷納新材料科技有限公司, “**Shanghai Corkuna**”) is held as to 35.96% by Mr. Yuan Yonggang, who is also Shanghai Corkuna’s chairman of the board, as of the Latest Practicable Date. Incorporated in June 2019 in the PRC, Shanghai Corkuna primarily engages in the design, development, formulation, and production of specialty functional coating materials.

Each of the member of Largest Group of Shareholders confirms that, as of the Latest Practicable Date, he did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

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DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of our Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group’s business.

NON-COMPETE UNDERTAKINGS

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange, subsequent refinancings and in order to avoid any potential competition between our Group and the Largest Group of Shareholders, the Largest Group of Shareholders provided non-competition undertakings in favor of our Company on April 9, 2010, June 11, 2018 and May 18, 2024, respectively (the “**Non-competition Undertakings**”). Pursuant to the Non-competition Undertakings, each of the member of Largest Group of Shareholders has undertaken that:

- (i) the Largest Group of Shareholders and their related parties shall not directly or indirectly engage in any business that substantially competes or may substantially compete with the business operated by the Group;
- (ii) if competition arises between the companies controlled by the Largest Group of Shareholders and the Group, the Largest Group of Shareholders shall, upon request by the Company, dispose of all their interests in such companies and the Group is granted with the right of first refusal to acquire the relevant interests;
- (iii) if the Largest Group of Shareholders and their related parties fail to comply with the relevant undertakings, they shall compensate the Group and the Shareholders for direct and indirect losses incurred therefrom.

INDEPENDENCE FROM OUR LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Largest Group of Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of eleven Directors comprising five executive Directors, two non-executive Directors and four independent non-executive Directors. For more information, see “Directors and Senior Management.”

As of the Latest Practicable Date, except for Mr. Yuan Yonggang (our Chairman and non-executive Director) and Mr. Yuan Yongfeng (our Executive Director and general manager), there was no other Director and senior management who is a member of the Largest Group of Shareholders. Hence, we have sufficient Board and senior management team members who do not hold any position in and are not the member of Largest Group of Shareholders and/or their respective close associates. Our Directors consider that the Board and senior management of our Company are capable of functioning independently of our Largest Group of Shareholders for the following reasons:

- (i) our daily management and operations are carried out by a 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 the Group;
- (ii) each Director is aware of her/his fiduciary duties as a director which require, among other things, that he/she must act for the benefit and in the interest of our Company and the Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;

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- (iii) the decision-making mechanism of our Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;
- (iv) furthermore, Mr. Yuan Yonggang, as a non-executive Director, is responsible for overall strategies and development of the Company, and is mainly participating in our Company’s management through attending board meetings. In addition, we have four independent non-executive Directors and our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and a majority of them have experiences as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole;
- (v) 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. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and
- (vi) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Largest Group of Shareholders which would support our independent management. See “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they 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 the Largest Group of Shareholders after the [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Largest Group of Shareholders. We have complete production, research and development, management, purchasing and sales business systems, capable of conducting business independently in the market. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Largest Group of Shareholders and their respective close associates after the [REDACTED]:

- (i) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Largest Group of Shareholders;
- (ii) we have independent access to our customers and suppliers;
- (iii) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (iv) none of our Largest Group of Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Largest Group of Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department and specialized personnels responsible for discharging the financial management, accounting,

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reporting, funding and treasury function of our Group. We are capable of obtaining financing from third parties, if necessary, without reliance on our Largest Group of Shareholders and their respective close associates. We have bank accounts independent of our Largest Group of Shareholders, and our Largest Group of Shareholders are not in position to interfere with the Group’s disposal of funds.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Largest Group of Shareholders to us.

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

CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Largest Group of Shareholders:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Largest Group of Shareholders or any of their respective close associates have a material interest, the relevant Largest Group of Shareholders or close associates will not vote on the relevant resolutions;
- (ii) our Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if our Company enters into connected transactions or related party transactions with our Largest Group of Shareholders or any of their close associates, our Company will comply with the applicable laws and regulations, including Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Largest Group of Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our 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 applicable laws and regulations, including Listing Rules;
- (v) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;
- (vi) we have appointed Somerley Capital Limited as our Compliance Adviser 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; and
- (vii) we have established the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy and ESG Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules.

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 Largest Group of Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].