
RELATIONSHIP WITH THE SINGLE LARGEST SHAREHOLDER GROUP

THE SINGLE LARGEST SHAREHOLDER GROUP

Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Sima directly and indirectly through his controlled entities, will together be entitled to exercise the voting rights attaching to approximately [REDACTED]% of our enlarged total issued share capital, including : (i) voting rights attaching to approximately [REDACTED]% of the total issued share capital of our Company held by Mr. Sima; and (ii) voting rights attaching to approximately [REDACTED]% of the total issued share capital of our Company held by Jiaying Silicon Language, our share incentive platform with Nanjing Silicon Life, a company owned as to 99.00% by Mr. Sima, being its general partner. See “History, Development and Corporate Structure — [REDACTED] Share Option Plan” for details.

As of the Latest Practicable Date, as Mr. Sima and his controlled entities, being Nanjing Silicon Life and Jiaying Silicon Language, were entitled to exercise approximately 36.81% of the voting rights in our Company, they constituted the controlling shareholders of our Company as defined under Rule 1.01 of the Listing Rules. Immediately upon completion of the [REDACTED], they will no longer be entitled to exercise 30% or more of the voting rights in our Company. As such, they will cease to be our controlling shareholders but will remain as the Single Largest Shareholder Group immediately upon completion of the [REDACTED].

DELINEATION OF BUSINESS

The Single Largest Shareholder Group confirm that as of the Latest Practicable Date, neither of it or its respective close associates was interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE SINGLE LARGEST SHAREHOLDER GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of the Single Largest Shareholder Group and its respective close associates after the [REDACTED].

Operational Independence

We engage in our operations and make and implement our operational decisions independently. We do not share operation team, facilities or equipment with the Single Largest Shareholder Group or its respective close associates. We are in possession of all relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. We have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of the Single Largest Shareholder Group and its respective close associates. We have independent access to a large and diversified base of suppliers and customers and are not dependent on the Single Largest Shareholder Group or its respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that we are able to operate independently from the Single Largest Shareholder Group and its respective close associates.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors, among whom Mr. Sima, the chairman of our Board, an executive Director and the chief executive officer of our Company, is a member of the Single Largest Shareholder Group. For details, see “Directors and Senior Management.”

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Our Directors are of the view that our Board and senior management team are able to manage our business independently from the Single Largest Shareholder Group and its close associates for the following reasons:

- (i) save for Mr. Sima, all the other executive Directors and other members of our senior management are our full-time employees and are independent from the Single Largest Shareholder Group and its close associates;
- (ii) pursuant to the articles of association of our Company, in the event that any Shareholder or Director or his/her close associates has the material interest in a contract or arrangement to be entered into with our Group, the interested Shareholder(s) or Director(s) shall abstain from voting on any Shareholder or Board resolutions approving any contract, arrangement or any other proposal and shall not be counted in the quorum present at the relevant meeting;
- (iii) we have appointed three independent non-executive Directors (accounting for more than one-third of our Board) to balance the number of potentially interested Directors with a view to promote the interests of our 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 our Company and another company or entity to which a Director or senior management member holds position. We believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound, independent and impartial judgment to the decision-making process of our Board;
- (iv) each of our Directors is aware of his/her fiduciary duties as a Director, which require him/her to act for the benefit and in the interests of our Company and the Shareholders as a whole and do not allow any conflict between his/her duties as a Director and his/her personal interests; and
- (v) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Shareholder Group and its close associates which would support our independent management. See “— Corporate Governance Measures” below for further information.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Financial Independence

We have established a finance department with a team of independent financial staff, which operates entirely independently of the Single Largest Shareholder Group. In addition, our Company has established a sound and independent financial system and makes financial decisions according to our Company’s business needs, which are independent of the Single Largest Shareholder Group and its close associates.

During the Track Record Period, our Group had certain non-trade balances due from Nanjing Silicon Life and Jiaxing Silicon Language, members of the Single Largest Shareholder Group. See “Financial Information — Balances with Related Parties” and Note 32 to the Accountants’ Report in Appendix I to this document for details. As of the date of this document, all such balances due from Nanjing Silicon Life and Jiaxing Silicon Language had been fully settled.

Save as disclosed herein, as of the Latest Practicable Date, there were no outstanding loans, advances or non-trade balances due to or from the Single Largest Shareholder Group or its close associates, nor were there any outstanding pledges or guarantees provided for our benefit by the Single Largest Shareholder Group or its close associates.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from the Single Largest Shareholder Group and its close associates.

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CORPORATE GOVERNANCE MEASURES

We recognize the importance of good corporate governance to protect the interest of our Shareholders. We will adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Single Largest Shareholder Group:

- (i) where a Shareholders' meeting is held for considering proposed transaction in which any member of the Single Largest Shareholder Group has a material interest, our Single Largest Shareholder Group shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (iii) any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (iv) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Single Largest Shareholder Group, the Single Largest Shareholder Group shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements to the public; and
- (v) our Company has appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.