

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, Mr. Wu, our executive Director, chairperson of our Board, and president of our Company, was entitled to exercise approximately 30.47% of the voting rights in our Company (excluding the 2,342,668 A Shares held by our Company as Treasury Shares) through 144,629,860 A Shares directly held by him.

Immediately after completion of the [REDACTED], Mr. Wu will be entitled to exercise approximately [REDACTED]% of the voting rights in our Company (excluding the 2,342,668 A Shares held by our Company as Treasury Shares 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, Mr. Wu will constitute our Single Largest Shareholder and our Company will not have any controlling shareholder as defined under the Listing Rules upon the completion of the [REDACTED].

COMPETITION

Our Single Largest Shareholder has confirmed that he does 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, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE SINGLE LARGEST SHAREHOLDER

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

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of six executive Directors and three independent non-executive Directors. For more details of our Directors and senior management, see "Directors and Senior Management."

The executive Directors and senior management team are responsible for the day-to-day management of our operations. Notwithstanding the roles of Mr. Wu on our Board, our Directors are of the view that our Company is able to function independently from Mr. Wu for the following reasons:

- (a) all of the independent non-executive Directors are independent of Mr. Wu, and decisions of our Board require the approval of a majority vote from members of our Board;
- (b) each of our Directors is aware of fiduciary duties of a director which require, among other things, that he/she must act for the benefit and in the best interest of our Group and must not allow any conflict between his/her duties as a Director and his/her personal interest;
- (c) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum;
- (d) we will have three independent non-executive Directors and certain matters of our Company must always be referred to our independent non-executive Directors for review;
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Single Largest Shareholder which would support our independent management; and
- (f) our daily management and operations are carried out by our Company's senior management team, who have substantial experience in the industry which our

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Company is engaged in, and will therefore be able to make business decisions that are in the best interests of our Group.

Operational Independence

We have independent operating capabilities and management systems. We do not rely on any operational or administrative resources of our Single Largest Shareholder or his close associates (other than our Group) for research and development, manufacturing, business development, staffing and administration (including financial and accounting management, human resources and 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, our Directors are of the view that we are able to operate independently from our Single Largest Shareholder and his close associates (other than our 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 our 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 Single Largest Shareholder and his close associates (other than our Group). 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 Single Largest Shareholder or his close associates (other than our Group), and we do not intend to rely on our Single Largest Shareholder in the future.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of, and do not place undue reliance on our Single Largest Shareholder and his close associates (other than our Group) after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

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

- (i) where a general meeting is to be held for considering proposed transactions in which our Single Largest Shareholder or any of his associates has a material interest, our Single Largest Shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Single Largest Shareholder or any of his associates, our Company will comply with the applicable requirements under the Listing Rules;
- (iii) we are committed that our 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;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

- (iv) our independent non-executive Directors will review, on an annual and independent basis, whether there is any conflict of interests between our Group and our Single Largest Shareholder (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of minority Shareholders;
- (v) our Single Largest Shareholder will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors for the Annual Review;
- (vi) our Company will disclose decisions (with basis) on matters reviewed by our independent non-executive Directors either in its annual report or by way of announcements;
- (vii) 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 expenses; and
- (viii) 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, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests that may arise between our Group and our Single Largest Shareholder, and to protect minority Shareholders’ interests after the [REDACTED].