
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

On April 1, 2025, Mr. Wang and Mr. Li, our executive Director and Chief Technology Officer, entered into the Acting-in-Concert Agreement (in replacement of the acting-in-concert agreement dated September 26, 2018) to confirm that they have acted in concert when addressing matters pertaining to the operational development of the Group and those requiring resolutions by a Shareholders’ meeting. For details, see “History and Corporate Structure — Acting-in-Concert Arrangement” of this Document. As of the Latest Practicable Date, (a) Mr. Wang was able to exercise 27.10% of voting rights in our Company through (i) 28,294,560 (assuming the completion of the Share Subdivision) Shares directly owned by him, and (ii) 31,612,950 (assuming the completion of the Share Subdivision) Shares indirectly owned by him through Standard Automation, which is controlled by Mr. Wang as general partner; and (b) Mr. Li was able to exercise 3.80% of voting rights in our Company through 8,410,820 (assuming the completion of the Share Subdivision) Shares directly owned by him. By virtue of the Acting-in-Concert Agreement, Mr. Wang, Standard Automation and Mr. Li will together be interested in and control 30.90% of voting rights in our Company. Further, pursuant to the Voting Proxy Agreement, Mr. Wang is entitled to the voting rights of approximately of 6,516,020, 1,547,370 and 2,000,000 Shares of Shares (taking into account the Share Subdivision) held by Golden Summer Holding Limited, Shenzhen Hongze Intelligent Manufacturing Investment Partnership (Limited Partnership) (深圳鴻澤智造投資合夥企業(有限合夥)) and Zhuhai Shengyinjing Investment Enterprise (Limited Partnership) (珠海盛銀璟投資合夥企業(有限合夥)) respectively in our Company, representing [REDACTED]%, [REDACTED]% and [REDACTED]% of the voting rights, respectively, in our Company upon [REDACTED]. For details, see “History and Corporate Structure — Voting Proxy Arrangement”. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), they will be entitled to exercise approximately [REDACTED]% of voting rights in our Company and will constitute our Controlling Shareholders under the Listing Rules upon [REDACTED]. Standard Automation is a share incentive platform of our Company.

For background and biographical details of Mr. Wang and Mr. Li, see “Directors and Senior Management” in this Document.

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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 of three executive Directors, one non-executive Director and three independent non-executive Directors. See “Directors and Senior Management” for more information.

Our Directors believe that our Board and senior management is 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. Except Mr. Wang and Mr. Li, our senior management team members are independent from our Controlling Shareholders, 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.”

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 controls 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 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 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 close associates.

During the Track Record Period, we primarily financed our business operations through cash generated from our business activities and equity financing activities. As of the Latest Practicable Date, we did not have any outstanding borrowings from our Controlling Shareholders or any of their respective close associates.

During the Track Record Period, Mr. Wang provided guarantees over certain loans for the benefit of our Group which were applied in our ordinary course of business. As of the Latest Practicable Date, such loans had been fully repaid, and the aforementioned guarantees had been discharged. Our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates for the following reasons:

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- (1) the guarantee provided by Mr. Wang had been discharged; and
- (2) we have an independent financial system and make financial decisions according to our Group’s own business needs independently. We have internal control and accounting systems and a finance department which can make financial decisions independently. None of our Controlling Shareholders and/or their close associates interferes with our use of funds. We have also established an Audit Committee in compliance with Rule 3.21 of the Listing Rules.

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 Controlling Shareholders and their respective close associates after the [REDACTED]. 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.

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 Somerley Capital 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 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.