

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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As at the Latest Practicable Date, Mr. CHEN Zuotao is indirectly interested in 33,414,920 A Shares of our Company through Tianhao Technology, which directly owns 33,414,920 A Shares of our Company. Tianhao Investment controls Tianhao Technology and owns approximately 99.99% equity interest in Tianhao Technology. Mr. CHEN Zuoning (陳作寧), brother of Mr. CHEN Zuotao, owns the remaining 0.01% equity interest in Tianhao Technology. Each of Mr. CHEN Zuotao and Mr. CHEN Zuoning owns 99.9% equity interest and 0.1% equity interest in Tianhao Investment, respectively. Each of Mr. CHEN Zuotao, Mr. CHEN Zuoning, Tianhao Technology and Tianhao Investment is deemed to be interested in all the A Shares in which each of them is interested. Mr. CHEN Zuotao, Mr. CHEN Zuoning, Tianhao Technology and Tianhao Investment constitute our Single Largest Group of Shareholders, holding approximately 21.03% of the issued share capital of our Company immediately before the [REDACTED], and approximately [REDACTED] of the issued share capital of our Company immediately following the completion of the [REDACTED], assuming that no new Shares are issued under the [REDACTED] and our Restricted Share Incentive Plans, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED].

Save for the business of our Group, each of our Single Largest Group of Shareholders does not currently have any interest in a business that competes or is likely to compete, whether directly or indirectly, with our Group’s business.

INDEPENDENCE FROM OUR SINGLE 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 Single Largest Group of Shareholders after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Currently, our Board consists of seven Directors, comprising three executive Directors and four independent non-executive Directors, and we also have four senior management members. Notwithstanding that Mr. CHEN Zuotao, chairman of the Board and an executive Director, is a member of the Single Largest Group of Shareholders, our Directors believe that the Board and senior management of our Company are able to operate our business independently of our Single Largest Group of Shareholders for the following reasons:

- (i) our Directors are aware of their fiduciary duties as a director, which require, among other things, that they act for the benefits and in the interests of our Company and all our Shareholders as a whole and do not allow any conflict between their duties as a Director and their personal interests;
- (ii) our daily management and operations are carried out by our executive Directors and senior management team. As of the Latest Practicable Date, except from Mr. Chen, none of them held any management position in the Single Largest Group of Shareholders or their respective close associates. They also have substantial experience in the industry in which our Company is engaged and will therefore be able to make impartial and sound business decisions that are in the best interests of our Group;
- (iii) our Board has a balanced composition of executive, and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our independent non-executive Directors account for more than one-third of the Board, and do not and will not take up any position with our Single Largest Group of Shareholders. All of our four independent non-executive Directors are independent of the Single Largest Group of Shareholders and have substantial experience in their

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respective areas of expertise. For details, see “Directors and Senior Management.” All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules, and certain matters of our Company must always be referred to the independent non-executive Directors for review, ensuring the decisions of the Board are made only after the due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole;

- (iv) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and a Director or their respective close associate, the interested Director(s) is required to declare the nature of such interests before voting and shall abstain from voting in respect of such transaction and not be counted towards the quorum at the relevant Board meetings of our Company in respect of such transactions; and
- (v) upon [REDACTED], we will adopt a series of corporate governance measures to manage conflicts of interests, if any, between our Group and our Single Largest Group of Shareholders which would support our independent management. For details, see “—Corporate Governance Measures” in this section.

Based on the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole. Our Board together with our senior management team, therefore, are able to perform the managerial role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group’s business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group’s business independently, with the independent right to make operational decisions and implement such decisions.

We have independent access to customers and suppliers and, therefore, are not dependent on our Single Largest Group of Shareholders for any significant amount of our revenue, research and development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Single Largest Group of Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as staffing, administration, finance, internal audit, research and development, sales and marketing, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our Single Largest Group of Shareholders and their close associates. We also maintain a set of structured internal control procedures to facilitate the effective operation of our business.

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

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our Single Largest Group of Shareholders and their respective close associates, as well as a sound and independent financial system. Our Company has an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes and we make independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank

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account with our Single Largest Group of Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of our Single Largest Group of Shareholders and their respective close associates.

We have adequate financial resources and credit facilities to support our daily operation without relying on any guarantee or security provided by our Single Largest Group of Shareholders and their respective close associates. 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 Group of Shareholders or their respective close associates. We do not expect to rely on our Single Largest Group of Shareholders and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the [REDACTED] from the [REDACTED].

Based on the above, our Directors believe that we do not place undue reliance on our Single Largest Group of Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Group of Shareholders:

- (i) where a Board meeting is held for the matters in which any Directors has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Shareholders’ meeting is to be held for considering proposed transactions in which any member of our Single Largest Group of Shareholders or any of their associates has a material interest, the relevant member in our Single Largest Group of Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with any member of our Single Largest Group of Shareholders or any of their associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders’ approval requirements (if applicable) under the Listing Rules;
- (iv) our Board will consist of a balanced composition of executive and independent non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We believe our independent non-executive Directors, individually and collectively, possess sufficient knowledge and experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders as a whole;
- (v) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Single Largest Group of Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

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- (vi) our Single Largest Group of Shareholders will provide our independent non-executive Directors with all relevant financial, operational and market and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (vii) our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (viii) we have established our audit committee, remuneration and evaluation committee, nomination committee and strategy committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules;
- (ix) 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;
- (x) we have amended our Articles of Association to ensure compliance with the Listing Rules, which will become effective upon [REDACTED]; and
- (xi) we have appointed Altus Capital Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors’ duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between our Group and our Single Largest Group of Shareholders to protect minority Shareholders’ rights after the [REDACTED].