
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, our Company was directly held by Sunny Zhejiang Optics and Sunny Group as to 84.8% and 11.7%, respectively. Sunny Group is a direct wholly-owned subsidiary of Sunny Zhejiang Optics. Sunny Zhejiang Optics was directly held by Sunny Optical Overseas and Summit Technology (HK) as to 72.13% and 27.87%, respectively. Sunny Optical Overseas was wholly owned by Sun Xiang Optical, which was in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Summit Technology (HK) was 100% owned by Summit Technology (BVI), which was also in turn wholly controlled by Sunny Optical Technology through its wholly owned subsidiary Sun Yun Optical. Accordingly, the Controlling Shareholders, comprising Sunny Optical Technology, Sunny Group, Sunny Zhejiang Optics, Sunny Optical Overseas, Sun Xiang Optical, Sun Yu Optical, Summit Technology (HK) and Summit Technology (BVI), were collectively interested in approximately 96.5% of the Shares. Immediately following the completion the [REDACTED], the Controlling Shareholders will in aggregate hold approximately [REDACTED]% of the Shares (assuming the [REDACTED] is not exercised). Therefore, upon [REDACTED], they will remain as our Controlling Shareholders. See “History, Reorganization and Corporate Structure” for the shareholding and corporate structure of our Group.

DELINEATION OF BUSINESS

Our Principal Business

We are primarily engaged in on R&D, manufacturing and sale of vehicle-related optical products. For more details, see “Business.”

Principal Business of Retained Sunny Optical Technology Group

The history of Sunny Optical Technology can be traced back to 1984 and Sunny Optical Technology has been listed on the Stock Exchange since 2007 (stock code: 2382). Upon completion of the [REDACTED] and the [REDACTED], the Retained Sunny Optical Technology Group will be principally engaged in the design, R&D, manufacturing and sale of non-vehicle related optical business, with the application fields of its key offering focusing on XR products, smartphone camera products and other non-vehicle related optical products (including pan-IoT, robotics, optical components and optical instruments).

We supply certain vehicle-related optical products to Retained Sunny Optical Technology Group for further on-sales in certain overseas markets where it has a local presence. Such on-sale of the vehicle-related products produced and supplied by our Group did not and is not expected to constitute a material portion of the business of the Retained Sunny Optical Technology Group and therefore does not form part of its principal business. The Retained Sunny Optical Technology Group will not have any material operations in respect of design, R&D or manufacturing of vehicle-related optical products upon completion of the [REDACTED] and the [REDACTED]. Accordingly, the principal business of our Group and that of the Retained Sunny Optical Technology Group is clearly delineated. The arrangement allows our Group to leverage the existing expansive global presence of the Retained Sunny Optical Technology Group to promote and extend our product outreach to overseas markets where we may not have established local outlets. In particular, in certain overseas markets, primarily Japan, end customers may require transactions to be conducted through local entities as part of their internal policies. According to Frost & Sullivan, such arrangement is in line with industry practice in Japan. Sunny Optical Technology Group has established local entities in a number of overseas markets, including Japan, in the ordinary course of its retained business, and on-sales of our vehicle-related products does not amount to a material portion of its business in Japan. Depending on our negotiations with end customers, the amount of transactions in the relevant overseas markets and business feasibility, we aim to establish independent local entities and operations to enable transactions with end customers directly. See “Connected Transactions” for more details.

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Clear delineation of business

Upon completion of the [REDACTED], our business and the business of the Retained Sunny Optical Technology Group (the “**Retained Business**”) are clearly delineated from each other in terms of core technologies adopted, fields of application and target customers and market:

- (a) **Fields of application:** Our business focuses on vehicles as the field of application. Save that certain vehicle infrared imaging products, which primarily include vehicle infrared thermal imaging lens, offered by the Retained Sunny Optical Technology Group may also be adopted and applied in vehicles, the Retained Business is clearly delineated from that of our Group in terms of fields of application, with the products of the Retained Business primarily focusing on fields of application other than vehicles, such as XR, smartphones, pan-IoT, robotics, optical components and optical instruments.

Notwithstanding that there may be overlap in terms of fields of application between our Business and the infrared business operated by the Retained Sunny Optical Technology Group, there is clear delineation between these two businesses in terms of underlying technologies adopted, their different positioning as well as the immateriality in financial contribution of vehicle infrared products illustrated below:

	Our Business	Infrared business of the Retained Sunny Optical Technology Group
Underlying technologies adopted	The vehicle camera products produced by our Group all adopt visible light-based optical technologies, which form images based on reflected visible light.	Powered by the Retained Sunny Optical Technology Group’s advanced invisible infrared optical technologies, which form images through detecting heat emitted by the subject.
Materiality of vehicle applications of products	All the products offered by our Group are designed for vehicle applications.	<p>Most of the Retained Sunny Optical Technology Group’s infrared imaging products are designed and produced for applications in (i) security monitoring industry for personal or property safety; and (ii) outdoor uses as night vision devices in scenarios including hunting, outdoor exploration and rescue.</p> <p>The revenue generated from the sales of vehicle infrared imaging products remained minimal, being approximately 0.1%, as compared to the total revenue of the Retained Sunny Optical Technology Group throughout the Track Record Period in light of the great variety of non-vehicle-related optical products offered by the Retained Sunny Optical Technology Group.</p>

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	Our Business	Infrared business of the Retained Sunny Optical Technology Group
Different positioning with no overlapping in functionality . . .	The vehicle camera products produced by our Group are essential as part of the standard vehicle functionality features, which are widely used in almost all vehicles. Such products enable the driver and occupants to have full vision of surroundings around the vehicle in a well-lit environment.	Vehicle infrared optical products are usually adopted as selective add-on configurations to further strengthen night vision capability when driving in the dark or extreme weather conditions with limited visible lights (e.g., in heavy fog), which are not positioned as alternative to the vehicle camera products produced by our Group. As such, there will not be any substantive competition between the product offerings of our Group and the infrared business operated through the Retained Sunny Optical Technology Group.

- (b) ***Core technologies adopted:*** In light of the field of application, the vehicle camera products are featured with high adaptability in complex driving environments to ensure its stability in image capturing, and therefore adopts certain core technologies and patents that are unique to our business. For example, active heating and defogging technologies and patents in this regard are adopted in vehicle camera products, enabling it to capture clear image around the vehicle under extremely low temperature or on rainy and snowy days. Vehicle camera products also adopt self-cleaning technologies and self-owned patents which would actively wipe off dust or rain drops, so that the image capabilities would not be impaired. In addition, unlike camera lens applied in consumer electronics, vehicle camera products are designed with a view to long-term use and durability and require high-temperature resilience under various environments where temperature compensation technologies are adopted to ensure its functionality in a wide range of temperature (including extreme cold or heat). On the other hand, the major products offered by the Retained Sunny Optical Technology Group, comprising of XR products and smartphones, are consumer electronic products for daily uses that do not require technical features and technologies (e.g., high-temperature resilience, active heating and self-cleaning) uniquely adopted by vehicle-related optical products. For instance, smartphone camera products are typically designed with a shorter life span and do not require resilience under extreme weather conditions such as extreme cold or heat. Instead, the features of such smartphone camera products vary based on the specific requests and technical demands of targeted clients, being smartphone manufacturers around the world.
- (c) ***Target customers and market:*** The vehicle-related optical products offered by our Group are designed for use in the automobile sector, and the targeted clients include Tier-1 suppliers, and OEMs around the world, while the offerings by the Retained Business are primarily targeted at corporate and institutional clients in non-vehicle sectors, including manufacturer of XR products and smartphones.

In light of the above clear delineation between the businesses of our Group and the Retained Sunny Optical Technology Group, the Retained Business does not compete and is unlikely to compete, directly or indirectly, with our Group’s business.

As of the Latest Practicable Date, each of our Controlling Shareholders confirmed that none of them or their close associates had any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our Group’s business which would require disclosure under Rule 8.10 of the Listing Rules.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is able to carry on its business independently from our Controlling Shareholders (including their close associates) following the completion of the [REDACTED] for the following reasons.

Management Independence

Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. For further details of our Directors, see “Directors and Senior Management”. Among the eight Directors, only two non-executive Directors (the “**Overlapping Directors**”) currently hold and will continue to hold positions in Sunny Optical Technology upon [REDACTED], details of which are set out below:

Name of Director	Position(s) in our Company upon [REDACTED]	Position(s) in Sunny Optical Technology upon [REDACTED]
Mr. Wang Wenjie (王文杰)	Chairman of the Board and non-executive Director	Executive director, chief executive officer and authorized representative
Mr. Ni Wenjun (倪文軍)	Vice chairman of the Board and non-executive Director	Executive director and executive president

In light of the non-executive nature of their roles within our Group, it is expected that the Overlapping Directors will not be involved in the daily business operation and management of our Group, and we believe that such arrangement will not affect the discharge of their respective duties and responsibilities to Sunny Optical Technology and our Company. Save as disclosed above, none of the other Directors or senior management of our Company holds or will hold any position in Sunny Optical Technology. As such, our Group and Retained Sunny Optical Technology Group are principally managed by separate management teams.

We believe that our Group does not rely on Retained Sunny Optical Technology Group in terms of directorship and management, and that the day-to-day operations and management functions of our Group, upon [REDACTED], will be managed independently of Retained Sunny Optical Technology Group, given that:

- (a) except for the Overlapping Directors, there is no other overlapping management upon [REDACTED] except for the Overlapping Directors, the other six Directors are independent of our Controlling Shareholders, comprising two executive Directors, one non-executive Director and three independent non-executive Directors, all of whom possess sufficient knowledge, experience and competence in respect of management and corporate governance affairs. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders;
- (b) the Board of our Company will have a balanced composition of eight Directors upon the [REDACTED], three of which are independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (i) our independent non-executive Directors are not associated with any Controlling Shareholders and/or their close associates; (ii) our independent non-executive Directors account for more than one third of the Board; and (iii) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view 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 interests of our Company and our Shareholders as a whole; and

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- (c) each of the Directors is aware of his/her fiduciary duties as a Director, 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 interests. In the event of any actual or potential conflict of interest between our Group and Retained Sunny Optical Technology Group, the conflicted Directors will be required to abstain from voting on the relevant Board resolutions and the other Directors will vote and decide on the matter.

Nevertheless, to address potential conflict of interests that may arise in the future, our Company has adopted certain corporate governance measures. See “— Corporate Governance.” Based on the above and taking into consideration the fact that there is no substantive competition between us and our Controlling Shareholders and their close associates as defined under Rule 8.10 of the Listing Rules, the Directors are of the view that our management is independent from our Controlling Shareholders, our Directors are of the view that our Group is capable of managing our business independently from Retained Sunny Optical Technology Group following the completion of the [REDACTED].

Operational Independence

We operate our business independently from our Controlling Shareholders and their close associates. We have obtained relevant qualifications and licenses, independent production line and machinery needed for our businesses. Our Group also has a sufficient level of business operations, assets, facilities, equipment and employees to operate our business independently from our Controlling Shareholders and their close associates. In particular, we have our own in-house R&D team for research and refinement of our products and core technologies applicable to our business. We do not co-own any material intellectual property with Retained Sunny Optical Technology Group, and save for the trademarks licensed from Retained Sunny Optical Technology Group, all of our material intellectual properties were invented by our Group.

We have a diversified base of customers and suppliers. During the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, we (i) generated RMB89.6 million, RMB151.3 million, RMB203.0 million and RMB103.7 million, respectively, from sales to Retained Sunny Optical Technology Group, representing approximately 1.7%, 2.5%, 2.8% and 2.8% of our total revenue during the same period and (ii) incurred RMB459.9 million, RMB472.8 million and RMB545.2 million and RMB313.8 million, respectively, from procurement from the Retained Sunny Optical Technology Group, representing approximately 13.6%, 12.2%, 11.2% and 12.2% of our total cost of sales during the same period. We are also able to procure products and services supplied by the Retained Sunny Optical Technology Group from alternative suppliers who are Independent Third Parties.

We have our own organizational structure with self-governing departments, each with specific areas of responsibility in carrying out essential administrative functions without the support of our Controlling Shareholders. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted a set of corporate governance manuals, including the terms of reference for general meetings and terms of reference for Board meetings, both of which are based on relevant laws, rules and regulations.

We entered into certain connected transactions with our Controlling Shareholders and their respective close associates, which will continue after the [REDACTED]. See “Connected Transactions” for more details. All such transactions will be conducted on arm’s length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules and the pricing policy of our Group and our connected persons and therefore are not prejudicial to the interests of any of the parties. In addition, trademarks licensed to us by the Retained Sunny Optical Technology Group under the Trademark Licensing Agreement were and will mainly be used for administrative purpose to signify our role as a member of the broader Sunny Optical Technology Group, and are not intended to be engrossed or printed on our products. Our Directors believe that such transactions will not have affect our operational independence as a whole.

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Based on the above, our Directors are of the view that our Company operates independently from our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging financial management, accounting, reporting, funding and treasury functions. We maintain bank accounts independently and do not share any bank account with Retained Sunny Optical Technology Group. We have made independent tax registration in accordance with applicable laws and paid tax independently pursuant to applicable tax laws and regulations.

We do not rely on our Controlling Shareholders or their close associates for financial assistance. Our Group is capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Controlling Shareholders and/or their close associates. As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders or their respective close associates to us.

Accordingly, our Directors believe that we are able to maintain financial independence and would not place undue reliance on our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Retained Sunny Optical Technology Group:

- (a) as part of our preparation for the [REDACTED], we will adopt, upon [REDACTED], our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall such Director be counted in the quorum for the resolution);
- (b) a Director with material interests shall make full disclosure in respect of matters that may have actual or potential conflict with any of our interest and abstain from the Board meetings on matters in which such Director or his/her associates have a material interest;
- (c) we are committed to maintaining a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they 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 public Shareholders. For details of our independent non-executive Directors, see “Directors and Senior Management”;
- (d) we have appointed Asian Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors’ duties and corporate governance;

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- (e) we have adopted internal control and corporate governance measures to ensure that the terms of our continuing connected transactions are fair and reasonable and not prejudicial to the interests of our Company and the minority Shareholders; and
- (f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors believe that there are sufficient and adequate corporate governance measures in place to manage existing and potential conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].