
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, CITIC Capital Entities, through Skipper Investment Limited as the immediate shareholder of the Company, were entitled to control approximately 34.06% of the total number of issued Shares of our Company. As such, all CITIC Capital Entities, including Skipper Investment Limited, CITIC Capital China Partners II, L.P. (“**CITIC Cayman**”), Power Joy, CCP II GP, Ltd., CCP Ltd, CITIC Capital Partners Limited and CITIC Capital Holdings Limited are regarded as our controlling shareholders of the Company before the Listing.

Immediately after completion of the Share Subdivision and the Global Offering (without taking into any Shares that may be issued pursuant to the Over-allotment Option and without taking into account any Shares to be issued pursuant to the exercise of the outstanding options granted or to be granted under the Pre-IPO Share Option Scheme and upon vesting of the outstanding RSAs granted under the Pre-IPO RSA Scheme), the CITIC Capital Entities will be entitled to control approximately 29.97% of the total number of issued Shares of our Company through Skipper Investment Limited. As such, immediately after the Listing, the CITIC Capital Entities will no longer be our controlling shareholders. However, Skipper Investment Limited will remain as our single largest Shareholder. CITIC Cayman is an exempted limited liability partnership whose purpose is to engage in investment or related activities. Founded in 2002, CITIC Capital Holdings Limited is an alternative investment management and advisory company, which manages over US\$22 billion of capital across 100 funds and investment products through its multiple asset class platform covering private equity, real estate, structured investment & finance, and asset management.

Apart from the business relating to the provision of software products and services to telecom operators and enterprise customers of our Group, our Controlling Shareholders, through AsiaInfo Cayman, are currently interested in other businesses such as the provision of software products and services that enable governmental bodies and public institutions to provide e-public services such as smart city and e-government services (“**E-public Service Business**”), the details of which are set out in the paragraph headed “Excluded Group” in this section of the prospectus.

Save for their interests in the E-public Service Business, as of the Latest Practicable Date, neither our Controlling Shareholders nor any of their associates was interested in any business which competes with or is likely to compete with our businesses and which is required to be disclosed under Rule 8.10(1).

EXCLUDED GROUP

Introduction

As of the Latest Practicable Date, our Controlling Shareholders are interested in the Excluded Group, which comprises of Guangzhou AsiaInfo Cloud and its subsidiaries, through its shareholding in AsiaInfo Cayman. AsiaInfo Cayman is indirectly interested in 13.3% of the shareholding in Guangzhou AsiaInfo Cloud, which is the holding company of the Excluded Group. The Excluded Group engages in the E-public Service Business. In order to focus on our own businesses, and to be in line with our strategic direction and development plan, the E-public Service Business will not form part of our Group after Listing.

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Companies comprising the Excluded Group

As of the Latest Practicable Date, the following companies are considered to be material to the E-public Service Business operated by the Excluded Group:

<u>Name of company in the Excluded Group</u>	<u>Principal activities engaged by the company in the Excluded Group</u>
1. Beijing AsiaInfo Big Data, Inc. (北京亞信數據有限公司)	Smart medical data platform, poverty alleviation data platform, smart city and e-government data platform
2. AsiaInfo Digital Technology (Fujian) Co., Ltd. (亞信數電(福建)科技有限公司)	E-government data platform in Fujian Province

Our Controlling Shareholders have no current plan to inject the E-public Service Business into our Group.

DELINEATION OF BUSINESS BETWEEN OUR GROUP AND THE EXCLUDED GROUP

Although the Excluded Group engages in the E-public Service Business, our Directors consider that there is a clear delineation of business between our Group and the Excluded Group.

Our Group focuses on the provision of mission-critical, carrier-grade software products and services to telecom operators and large-scale enterprises in the PRC, with a focus on the telecommunications sector. Our product portfolio currently consists of over 500 software products, ranging from CRM, charging & billing and big data products to IoT and intelligent network products.

The following explains the different business focus and customer base between the business of our Group and the E-public Service Business:

The E-public Service Business operated by the Excluded Group is focused on the provision of software products and services to enable governmental bodies and public institutions to provide e-public services.

The E-public Service Business is delineated from the businesses operated by our Group for the following reasons:

- (i) *Different Products*: the products offered by the E-public Service Business include e-government data platforms, smart city, and poverty alleviation data platform, primarily targeting governmental bodies and other public institutions. In contrast, the business of our Group mainly involves provision of software products and services to telecom operators and large scale enterprises, such as precision marketing, business operation analysis system and BSS/OSS products, primarily targeting telecom operators and enterprise customers.
- (ii) *Different Service Goals*: the products and services offered by the E-public Service Business aim to improve precise management and efficiency for governmental bodies and public institutions. Such services were mainly rendered in the domain of public services and governance. In contrast, the business operated by our Group aims to help telecom operators and enterprise customers to secure more orders and reduce costs in a commercial and business context.

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COMPETITION

Based on the above, our Company considers that the businesses of our Group and the Excluded Group are clearly delineated and do not directly compete with each other because (i) the products and services of our Group and the Excluded Group are not substitutable; and (ii) the products and services of our Group and the Excluded Group aim to meet different customer needs.

REASONS FOR EXCLUSION OF THE E-PUBLIC SERVICE BUSINESS FROM OUR GROUP

Our Directors do not consider it appropriate for our Group to include the E-public Services Business in our Group on the following basis:

- (i) *Not Part of Our Core Business* - our Directors are of the view that the E-public Services Business do not form part of our core businesses (which focus on the provision of integral software products and services primarily to telecom operators with a focus on BSS/OSS systems). The development of the E-public Services Business is not in line with the overall strategic direction and development plans of our Group.
- (ii) *Diversion of Management Attention and Resources*—the operation, expansion and development of the E-public Services Business will require significant management and internal resources and may divert our management’s attention and time from the operation and development of our core businesses.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THE EXCLUDED GROUP

Having considered the factors below, our Directors are satisfied that our Group is capable of carrying our business independently from our Controlling Shareholders, the Excluded Group and their respective close associates after the Listing.

1. Management Independence

Our business is managed and conducted by our Board and senior management. Our Board has nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Group and the Excluded Group have boards of directors and management teams that function independently of each other.

Three of our non-executive Directors, namely Mr. ZHANG Yichen, Mr. XIN Yuesheng and Mr. ZHANG Liyang, hold various positions in certain CITIC Capital Entities and/or their close associates, details of which are set out in the section headed “Directors and Senior Management” of this prospectus.

Notwithstanding the respective roles of Mr. ZHANG Yichen, Mr. XIN Yuesheng and Mr. ZHANG Liyang in CITIC Capital Entities and/or their close associates, our Directors consider that our Board and senior management will function independently of the Excluded Group and our Controlling Shareholders and their close associates because:

- a) Each of the Directors is aware of the fiduciary duties of a Director which require, among other things, that he must act for the benefit and in the best interest of our Group and must not allow any conflict between his duties as a Director and his personal interest;

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- b) 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. In addition, we have independent senior management teams to carry out the business decisions of our Group independently;
- c) The Board comprises of nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of the Board. This is in line with the requirements as set out in the Listing Rules; and
- d) Our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry which our Company is engaged in, and will therefore be able to make business decisions that are in the best interests of our Group.

Based on the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independent from the Excluded Group, our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

2. Operational Independence

Our Group owns all licenses, trademarks and other intellectual property rights which are required for our Group to carry on its business. The Group has independent work force to carry out our businesses. The Group also has sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently from the Excluded Group and our Controlling Shareholders.

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

3. Financial Independence

We have our own independent internal control and accounting systems, and our own finance department is responsible for discharging treasury function, accounting and reporting functions independent from our Controlling Shareholders and the Excluded Group. Immediately following the completion of the Global Offering, there will be no financing relationship between us and our Controlling Shareholders and the Excluded Group and their respective close associates. For information about loans or guarantees provided by, or granted to, our Controlling Shareholders during the Track Record Period, please see headed “Financial Information—Related Party Transactions”. Our Directors believe that we are capable of obtaining financing from independent third parties without reliance on our Controlling Shareholders, the Excluded Group and their respective close associates.

Accordingly, our Directors consider that the Group is capable of carrying out our business independently of the Excluded Group, our Controlling Shareholders and their respective close associates from a financial perspective.

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DEED OF NON-COMPETITION

In order to ensure that direct competition does not develop between us and the activities of our Controlling Shareholders, Skipper Investment Limited entered into a deed of non-competition in favor of our Company on July 5, 2018, pursuant to which Skipper Investment Limited has undertaken to our Company (for itself and for the benefit of its subsidiaries) that it would not, and it would use its best endeavors to procure that its associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group.

If any investment or other business opportunity relating to our business is identified by Skipper Investment Limited (“**Business Opportunity**”), it shall refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Directors or a board committee declines the Business Opportunity.

Pursuant to the deed of non-competition, the obligations of the Skipper Investment Limited thereunder would terminate on the earliest of the date on which Skipper Investment Limited ceases to hold directly or indirectly in aggregate 15% or more of the issued shares of the Company or the Shares cease to be listed and traded on the Stock Exchange.

Further, the independent non-executive Directors will review, on an annual basis, the compliance of Skipper Investment Limited with the deed of non-competition (in particular, the right of first refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the deed of non-competition in our annual report or by way of announcement to the public.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and our connected persons and comply with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) appointment of Anglo Chinese Corporate Finance, Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfill their roles effectively. See “Directors and Senior Management” in this prospectus for further details of our independent non-executive Directors;
- (d) in the event that connected transactions, if any, between our Group and other business in which any Director or his respective associates had any interest are submitted to the Board

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for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;

- (e) our independent non-executive Directors will review, on an annual basis, the compliance with the deed of non-competition by Skipper Investment Limited;
- (f) Skipper Investment Limited has undertaken to our Company that it will provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the deed of non-competition; and
- (g) Skipper Investment Limited will make an annual confirmation to our Company on compliance with the deed of non-competition which shall be disclosed in the annual report of our Company or by way of announcements to the public.