
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

THE SINGLE LARGEST SHAREHOLDERS GROUP

As of the Latest Practicable Date, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning together held approximately 30.01% (26.24%, 1.68%, 1.68% and 0.42%, respectively) of the issued share capital of our Company. Mr. Wang Hua joined and has served as a partner of Sinovation Ventures Group since 2009, Ms. Tao Ning joined and has served as a partner of Sinovation Ventures Group since 2010, Ms. Lang Chunhui joined and has served as a partner of Sinovation Ventures Group since 2011, and Mr. Zhang Ying joined and has served as a partner of Sinovation Ventures Group since 2015. They have been working closely with each other on the operations and investment decisions of Sinovation Ventures Group. In September 2015, to strengthen the control and management of Sinovation Ventures, they entered into a concert party agreement, pursuant to which they have agreed to act in concert at the shareholders’ meetings of Sinovation Ventures. In addition, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying jointly established Sinovation Ventures Yucheng in July 2015. As of the Latest Practicable Date, Sinovation Ventures was held as to 25.31%, 12.82%, 10.34%, 10.34% and 18.20% by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui, Mr. Zhang Ying and Sinovation Ventures Yucheng. Sinovation Ventures Yucheng was held as to 43.75%, 18.75%, 18.75% and 18.75% by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui, Mr. Zhang Ying.

Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company’s Shareholders meetings and board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Single Largest Shareholders Group will be interested in approximately [REDACTED] of our enlarged issued share capital, and our Company will not have any controlling shareholder upon the completion of the [REDACTED].

NON-COMPETITION UNDERTAKING

Each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying has signed a non-competition undertaking on [●], 2022 in favor of our Group (the “**Non-competition Undertaking**”). Pursuant to the Non-competition Undertaking, the Single Largest Shareholders Group has irrevocably undertaken that, it would not and will procure that its close associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on its own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, 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 or may be in competition with the principal business of any member of our Group from time to time (the “**Restricted Business**”).

Pre-emptive Right

Our Single Largest Shareholders Group has undertaken that if it and/or its close associates (excluding the Group’s member companies) intend to transfer, sell, lease or license concession to a third party any businesses engaged in by our Single Largest Shareholders Group and/or its close associates which competes or may competes with the Restricted Business or any other businesses which would cause direct or indirect competition with the Restricted Business, it shall offer our Group

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such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties. For the avoidance of doubt, the terms of disposal offered by our Single Largest Shareholders Group and/or its close associates (excluding the Group’s member companies) to any third parties shall not be more favorable than those to be offered to the Company. The Company shall reply to the Single Largest Shareholders Group and/or its close associates (excluding the Group’s member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the disposal notice or a longer period pursuant to the applicable laws, regulations and rules, as amended from time to time, whether it would exercise the pre-emptive right.

Option for New Business Opportunities

The Single Largest Shareholders Group has further undertaken that if it and its close associates (excluding our Group’s member companies) is offered or becomes aware that it or its close associates are or will be engaged in any Restricted Business, it shall and shall procure its close associates to promptly notify our Company in writing and the Company has an option to take up such business opportunity. The Company shall reply to the Single Largest Shareholders Group and/or its close associates (excluding the Group’s member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the disposal notice or a longer period pursuant to the applicable laws, regulations and rules, as amended from time to time, whether it would exercise the option for new business opportunities. However, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders’ agreements), the Company’s option for new business opportunities shall be subject to such third-party rights. In such case, our Single Largest Shareholders Group and/or its close associates (excluding the Group’s member companies) will use its best efforts to persuade the third party to waive its preemptive rights.

The above undertaking does not apply where:

- (i) the Single Largest Shareholders Group and/or its close associates hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;
- (ii) the Single Largest Shareholders Group and/or its close associates hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than our Group, and such companies are not engaged in the Restricted Business;
- (iii) the Single Largest Shareholders Group and/or its close associates hold any equity interests in any company other than our Group, provided that:
 - (a) according to the latest audited accounts of such company, the Restricted Business in which such company is engaged (and its related assets) accounts for less than 50% of the consolidated sales or consolidated assets of such company; or
 - (b) the total number of shares held by the Single Largest Shareholders Group and/or its close associates account for less than 30% of the shares of the same class issued by the relevant company, and the Single Largest Shareholders Group and/or its close associates have no right to appoint most of the directors of such company or has control over such company.

Pursuant to the Non-competition Undertaking, the above restrictions would only cease to have effect upon the earlier of: (i) the H Shares of our Company cease to be listed on the Stock Exchange; or

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(ii) the Single Largest Shareholders Group, in whole or in part, ceases to be the single largest shareholder or it is interested in less than 20% of the Company’s issued share capital.

INDEPENDENCE FROM THE SINGLE LARGEST SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that our business will function independently from the Single Largest Shareholders Group and its close associates after the completion of the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management, and our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (i) our executive Director and all our senior management members, who did not hold any management position and/or directorship in the Single Largest Shareholders Group or its close associates as of the Latest Practicable Date, are responsible for the day-to-day management and operation of our Company;
- (ii) notwithstanding that Dr. Kai-Fu Lee and Mr. Wang Hua, our non-executive Directors, hold positions and/or interests in the Single Largest Shareholders Group, they are mainly participating in our Company’s management through attending board meetings, and are not responsible for the day-to-day management and operation of our Company;
- (iii) 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 interests;
- (iv) 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 close associates, the interested Director(s) 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;
- (v) all of our three independent non-executive Directors are independent of the Single Largest Shareholders Group and have extensive experience in their respective areas of expertise. See “Directors, Supervisors and Senior Management”. All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions; and
- (vi) upon completion of the [REDACTED], our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Shareholders Group which would support our independent management. See “—Corporate Governance Measures” in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Based on the above, the Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial responsibility in our Group independently.

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Operational Independence

We are in possession of all key technology relating to our Group’s business and have obtained all relevant requisite qualifications and approvals for conducting our business in all material respects. 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 are not dependent on the Single Largest Shareholders Group and its close associates for any significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, technologies and employees to operate our business independently from the Single Largest Shareholders Group and its close associates. We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

We entered into certain continuing connected transactions with Sinovation Ventures, a member of our Single Largest Shareholders Group. See “Connected Transactions”. Considering that our access to independent sources and the sufficient competitive market, our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable partners or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and operational needs without causing any undue delay.

Based on the above, our Directors are of the view that the Company operates independently from the Single Largest Shareholders Group and its 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 independent from the Single Largest Shareholders Group and its close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the Single Largest Shareholders Group and its close associates. Our Company makes tax registration and pays tax independently with its own funds. In addition, our Company is capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Single Largest Shareholders Group or their respective associates. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently of the Single Largest Shareholders Group and its close associates.

We do not rely on the Single Largest Shareholders Group and/or its close associates by virtue of their provision of financial assistance. As of the Latest Practicable Date, all borrowings and non-trade nature balances between the group of our Single Largest Shareholders Group and/or its close associates, and us have been settled.

Based on the aforesaid, our Directors believe that we are able to maintain financial independence from the Single Largest Shareholders Group and its close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage

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potential conflict of interests between our Group and the Single Largest Shareholders Group and its close associates upon [REDACTED]:

- (i) where a Board meeting is held for the matters in which any Director 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 involves proposed transactions in which the Single Largest Shareholders Group or its close associates has a material interest, the Single Largest Shareholders Group or its close associates 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 the Single Largest Shareholders Group or any of its close 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 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. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (v) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company’s cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules; and
- (vi) we have appointed Somerley Capital Limited as our compliance adviser, 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 interest between our Group and the Single Largest Shareholders Group and/or Directors to protect minority Shareholders’ rights after the [REDACTED].