
RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

As at the Latest Practicable Date, Mr. Zhou, our chairman of the Board, was interested in approximately 14.3% of the total issued share capital of the Company, representing approximately 75.0% of the aggregate voting power of our total issued and outstanding Shares, after taking into account the super-voting rights of the 39,820,586 Class B ordinary shares controlled by Mr. Zhou through Aerovene Company Limited.

Upon [REDACTED], all the Class B ordinary shares held by Aerovene Company Limited shall be converted into Shares on a one-for-one basis pursuant to the conversion notice [delivered] by Aerovene Company Limited to the Company before the date of this document. Subsequently, no Class B ordinary shares of the Company will be issued or outstanding upon [REDACTED].

Immediately following the completion of the [REDACTED] and upon the conversion of all the Class B ordinary shares into Shares, Mr. Zhou will be interested in approximately [REDACTED]% of the total issued share capital of the Company, representing approximately [REDACTED]% of the aggregate voting power of our total issued and outstanding Shares (excluding the Shares issued and reserved for future issuance upon the exercising or vesting of awards granted under the Share Incentive Plans, and assuming the [REDACTED] is not exercised and no Shares are issued under the Share Incentive Plans). Accordingly, immediately following the completion of the [REDACTED] and upon the conversion of all the Class B ordinary shares into Shares, Mr. Zhou will be our largest shareholder upon the [REDACTED].

For more information on Mr. Zhou's shareholding, see section headed "Major Shareholders."

INDEPENDENCE FROM MR. ZHOU

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of Mr. Zhou and his close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board consists of nine Directors, of whom three are independent Directors unrelated to Mr. Zhou. For more information, please see "Directors and Senior Management."

Our Directors consider that our Board and senior management will function independently of Mr. Zhou because:

- (a) each Director is aware of their fiduciary duties as a director, which require, among other things, that they act for the benefit, and in the interest, of our Company and does not allow any conflict between their duties as a director and their personal interests;

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- (b) all of other Directors are independent of Mr. Zhou and decisions of the Board require the approval of a majority vote from the Board;
- (c) our daily management and operations are carried out by members of our senior management team, all of whom have substantial experience in our Group's business and/or the industry in which we operate, and will be able to make decisions that are in the best interest of our Group;
- (d) we have three independent Directors and certain matters of our Company will always be referred to them for review and/or approval;
- (e) 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 Director(s) is required to declare the nature of such interest before voting at the relevant Board meeting(s) in respect of such transactions; and
- (f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Mr. Zhou that would support our independent management; see "– Corporate Governance Measures" in this section for further information.

Operational Independence

Our Group is not operationally dependent on Mr. Zhou. Our Group (through our subsidiaries and Consolidated Affiliated Entities) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently of Mr. Zhou. Our access to, and relationship with, our customers and suppliers are independent of Mr. Zhou and we have an independent management team that operates our business.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely of independent Directors to oversee our accounting and financial reporting processes. We are capable of obtaining financing from third parties, if necessary, without reliance on Mr. Zhou.

No loans or guarantees provided by, or granted to, Mr. Zhou or their respective associates will be outstanding as of the Latest Practicable Date.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to manage, operate and carry on our business independently of, and do not place undue reliance on, Mr. Zhou and his close associates.

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COMPETITION

Mr. Zhou and/or our Directors may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which all of our business segments also operate. As they do not have any executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control them, they will not inject any of their interested entities into our Group; and to the extent our Directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our Directors, as a group, and signifies their passion for the industries in which we operate.

As of the Latest Practicable Date, neither Mr. Zhou nor his close associates, nor any of our Directors, is interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and Mr. Zhou:

- (a) 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 expense;
- (b) we have appointed Guotai Junan 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 Hong Kong Listing Rules, including various requirements relating to corporate governance; and
- (c) we have established our audit committee, compensation committee, nominating and corporate governance committee with written terms of reference in compliance with the rules of the Nasdaq. All of the members of our audit committee, including the chairman, are independent Directors.

Based on the above, our Directors are satisfied that we have sufficient corporate governance measures in place to manage conflicts of interest that may arise between our Group and Mr. Zhou, and to protect our minority Shareholders' interests after the [REDACTED].