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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Howking Tech Holding will hold approximately [REDACTED]% of the issued share capital of our Company.

As of the Latest Practicable Date, Ms. Wang and Ms. Jin held the relevant interest in our Company through their common investment holding company, Howking Tech Holding, which was held as to 56.7980% by Ms. Wang and 43.2020% by Ms. Jin. In addition, since the establishment/incorporation date of each of the companies of our Group, Ms. Wang and Ms. Jin have adopted a consensus approach to reach decisions on a unanimous basis in voting in their capacities as shareholders of our Group, pursuant to which they shall act collectively and uniformly from time to time in the exercise of voting rights, whether as a shareholder (including voting right at general meetings) and/or as a director (where they hold directorships in) of any companies of our Group (the “**Concert Party Arrangements**”). On January 6, 2022, each of Ms. Wang and Ms. Jin entered into an acting in concert confirmation (the “**Concert Party Confirmation**”) to confirm the existence of the Concert Party Arrangements described above. They further declared that they shall maintain the Concert Party Arrangements to act unanimously towards the governing of our Group upon [REDACTED].

As a family arrangement between Dr. Chen and Ms. Wang, the relevant equity interests in Nanjing Howking, the principal subsidiary of our Group, had been solely held by Ms. Wang since its inception. On the other hand, Dr. Chen has substantial influence on the Group’s management through holding directorships in various subsidiaries of the Group since the inception of the Group, and he is also the chief executive officer of the Company, an executive Director and the chairman of the Board. As confirmed by Dr. Chen and Ms. Wang, Ms. Wang would continue to hold the relevant interest in our Company for their mutual benefit, and she shall consult Dr. Chen prior to exercising her voting rights as a shareholder of our Company in general meetings going forward in contemplation of their family arrangement.

On the basis that (i) Ms. Wang and Ms. Jin hold their respective interest in our Company through a common investment holding company, i.e. Howking Tech Holding, which in turn will be entitled to exercise 30% or more of the voting power at the general meetings of our Company; (ii) Dr. Chen, our executive Director, chairman and chief executive officer of our Company, is the spouse of Ms. Wang; (iii) the family arrangement between Dr. Chen and Ms. Wang in respect of Ms. Wang’s voting rights in our Company; and (iv) each of Ms. Wang and Ms. Jin entered into the Concert Party Confirmation, Ms. Jin, Ms. Wang, Dr. Chen and Howking Tech Holding are regarded as a group of controlling shareholders of our Company within the meaning of the Listing Rules.

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### OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

#### Nanjing Haoxin and Nanjing Zeputuo

In addition to holding the interests in our Group, Ms. Wang, one of our Controlling Shareholders, was interested in Nanjing Haoxin, holding 74.337% of its equity interest as the sole general partner as of the Latest Practicable Date. Nanjing Haoxin is a limited partnership enterprise established in the PRC on June 10, 2019 which is principally engaged in investment holding. Based on the unaudited management accounts of Nanjing Haoxin, for the year ended December 31, 2019, Nanjing Haoxin did not record any operating revenue, with only net loss of approximately RMB180,000 recorded. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, Nanjing Haoxin did not record any operating revenue and profit or loss. As of the Latest Practicable Date, Ms. Wang, directly and indirectly through Nanjing Haoxin, controlled approximately 70.95% equity interest of Nanjing Zeputuo in aggregate, where she also serves as a director. Nanjing Zeputuo is a limited liability company established in the PRC on December 24, 2013. Based on the unaudited management accounts of Nanjing Zeputuo, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, Nanjing Zeputuo did not record any operating revenue, with net loss of approximately RMB3.4 million, RMB1.9 million, RMB3.5 million and RMB0.8 million recorded, respectively. As of the Latest Practicable Date, Nanjing Zeputuo had one outstanding project pending final project-completion check. In view of different business nature of both Nanjing Haoxin and Nanjing Zeputuo as compared to that of our Group, our Directors have no intention to include both Nanjing Haoxin and Nanjing Zeputuo in our Group in the near future.

#### Nanjing Yitaike

Our Controlling Shareholders are also indirectly interested in Nanjing Yitaike, a limited liability company established in the PRC on January 21, 2021, which was held as to 65.95% by Etic Industrial and 34.05% in aggregate by two Independent Third Party as of the Latest Practicable Date. Etic Industrial was, directly and indirectly, held as to approximately 65.50% by Dr. Chen in aggregate and approximately 3.56% by Mr. Feng Yijing, one of our executive Directors, as of the Latest Practicable Date. Nanjing Yitaike is intended to be principally engaged in the research and development of millimeter wave chip products for various application scenarios, such as railway passenger information system, long-distance backhaul and smart home systems and other related solutions in the PRC. As of the Latest Practicable Date, Nanjing Yitaike was still in the preparatory stage prior to commence any business operations.

Based on the latest unaudited management accounts of Nanjing Yitaike, for the year ended December 31, 2021 and the five months ended May 31, 2022, Nanjing Yitaike did not record any revenue, with only net loss of approximately RMB1.8 million and RMB1.5 million recorded, respectively.

As confirmed by our Directors and concurred by our PRC Legal Advisors and the Sole Sponsor, each of the abovementioned excluded entities had not been involved in or subject to any material non-compliance incidents, claims, litigation or legal proceedings (whether actual or threatened) since its establishment and up to the Latest Practicable Date.

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### *Clear delineation of business*

Our Directors are of the view that the businesses of Nanjing Zeputuo and Nanjing Yitaike (collectively, the “**Nanjing Entities**”) differ from our Group’s core business. The table below illustrates the business delineation in terms of the following facets between the Nanjing Entities and our Group:

Business delineation in terms of	Excluded businesses <sup>(Note 1)</sup>		
	Nanjing Zeputuo	Nanjing Yitaike	Our Group
(a) <b>Different business focuses</b>	Research and development of WLAN millimeter wave technology, relating to wireless communication standards/protocols for application in wireless devices. Nanjing Zeputuo focuses on the further development of such technology itself, while Nanjing Yitaike focuses on the commercialization of such technology by developing application solutions, including baseband and radio frequency chip products and the related software packages applying WLAN millimeter wave technology.		Provision of <u>data transmission and processing services for IoT applications</u> and telecommunication equipment involving research, development and application of technologies that could enhance the performance of our <u>data transmission and processing services for IoT applications</u> and telecommunication equipment developed
(b) <b>Different technologies involved</b>	WLAN millimeter wave is the research focus of the Nanjing Entities. According to Frost & Sullivan, millimeter wave refers to a high frequency band of electromagnetic spectrum between 24 GHz and 300 GHz, which can be used in a broad range of products and services, such as high-speed, point-to-multiple-point WLANs (wireless local area networks) and fixed wireless broadband access. The WLAN millimeter wave technology (falling within the extremely high frequency band between 42.3GHz to 52.5GHz) is essentially a <u>Wi-Fi technology</u> for connecting wireless devices, the wireless communication standards/protocols developed from which are approved by the Institute of Electrical and Electronics Engineers (IEEE). Such wireless networking technology allows laptops, tablets, desktop computers, smartphones and other mobile devices to connect to the Internet or communicate with each other wirelessly <u>within a limited area</u> , which does not require any operation by any third party telecommunication operators, and could be readily accessible by the general public by deploying wireless devices, such as wireless routers. Wireless routers as range extenders, usually are placed throughout the workspace to boost or extend Internet coverage. As of the Latest Practicable Date, the WLAN millimeter wave technology was currently being developed by the Nanjing Entities.		Our Group’s 5G telecommunication equipment (being radio frequency equipment) is required to be based upon the cellular communication technology standards developed by 3GPP. The cellular communication technology (falling within the mid and low-frequency bands under 6GHz (sub-6GHz bands)) is a <u>mobile network technology</u> for connecting mobile devices, such as mobile phones or vehicle-mounted terminals, that uses short-range base stations to facilitate mobile device communication <u>over a wide area covering cities and towns</u> . Such technology is based on the geographic division of the communication coverage area into cells, and within cells which enables mobile telecommunication using cellular signals over the broad areas comprised of base stations or cell sites operated by telecommunication operators.

As advised by Frost & Sullivan, (i) based on the above fundamental difference in the frequency bands on which the technologies adopted by the Nanjing Entities (i.e. WLAN millimeter wave technology) and our Group (i.e. cellular communication technology) are respectively based, thereby rendering key differences in terms of network, usage and standard-governing organizations; and (ii) WLAN millimeter wave technology is expected to have higher capacity and lower latency as compared to the technologies our Group currently adopts, the technologies possessed by each of our Group and the Nanjing Entities are clearly different.

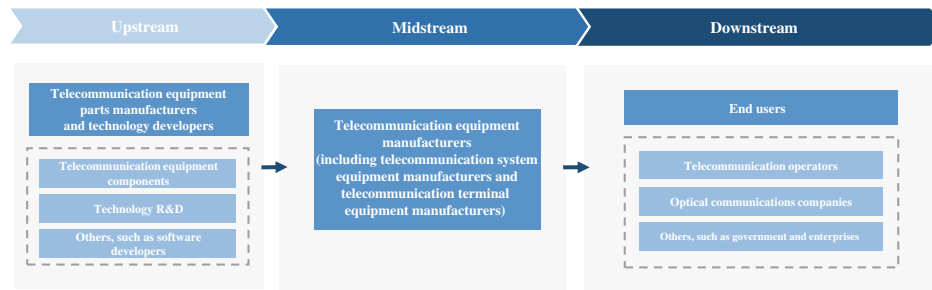
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Business delineation in terms of	Excluded businesses <sup>(Note 1)</sup>		Our Group
	Nanjing Zeputuo	Nanjing Yitaike	
(c) <b>Different products and services</b>	Both the research and development results of WLAN millimeter wave technology by Nanjing Zeputuo, being <u>intellectual properties</u> , and the application solutions to be developed by Nanjing Yitaike, being <u>basic components</u> of telecommunication equipment and/or solutions that <u>could not be directly used by end-users</u> .		<p>Principally engages in <u>developing telecommunication equipment and providing data transmission and processing services for IoT applications</u> for different application scenarios, such as consumer applications and industrial applications which <u>could be put into direct use by end-users</u>. For instance, the proprietary 5G telecommunication equipment developed by our Group embeds with certain self-developed core module and software, which could be used by end-users directly</p> <p>Distinguished from the specific standard/protocol of WLAN as involved in the research and development activities of Nanjing Zeputuo, the industrial WLAN to be developed by our Group is a specific kind of wireless communication technique as part of an IoT application that could be put into direct use by end-users, and our Group has no plan to involve the application of WLAN millimeter wave technology in developing the industrial WLAN. The installation of industrial WLAN in industrial environment, such as factories, can enhance the connectivity of the network there with local base stations.</p>
(d) <b>Different value chain position</b>	In the market of data transmission services and technology in which our Group operates, the Nanjing Entities are involved in upstream activities, predominantly the research and development of WLAN millimeter wave technology, being a kind of data transmission technology. Nanjing Zeputuo is principally engaged in the research and development of WLAN millimeter wave technology relating to wireless communication standards/protocols for further commercialization, whereas Nanjing Yitaike focuses on the application of such technology in developing application solutions.		It is involved in downstream activities primarily focusing on the commercialization of cellular data transmission and other communication technologies through the provision of <u>data transmission and processing services for IoT applications</u> and telecommunication equipment for different application scenarios, such as consumer applications and industrial applications.

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Business delineation in terms of	Excluded businesses <sup>(Note 1)</sup>		
	Nanjing Zeputuo	Nanjing Yitaike	Our Group

Set forth below is the diagram of the value chain of the data transmission services and technology market:



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| (e) <b>Different target customers</b> | Market players operating in the data transmission field including various manufacturers of telecommunication devices and related components. | Various end-users of telecommunication equipment and data transmission and processing services for IoT applications, mainly include (i) state-owned or private project owners; (ii) main contractors of IoT application project, who sub-contract a pre-defined section of the project to our Group; and (iii) overseas distributor |
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No overlapping customers in between<sup>(Note 2)</sup>

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|--------------------------------------|--|---|
| (f) <b>Different major suppliers</b> | Primarily consist of suppliers of hardware components (such as Waveguide-to-coaxial adaptors, 45GHz duplexers, 5775 MHz cavity band pass filters and circular waveguide parts). In addition, the major suppliers for Nanjing Yitaike will also consist of OEM manufacturers, from which it intends to mainly source servers and 45GHz radio-frequency integrated circuit sets. | Primarily consist of (i) suppliers of hardware components (such as network switches, LTE modules and private 5G network terminal equipment during the Track Record Period); (ii) OEM manufacturers; and (iii) software developers |
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No overlapping suppliers in between<sup>(Note 3)</sup>

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| (g) <b>Different financial scale</b> | Based on the unaudited management accounts of Nanjing Zeputuo and Nanjing Yitaike, they did not record any operating revenue during the Track Record Period. | For the three years ended December 31, 2021 and the five months ended May 31, 2022, our Group recorded revenue of approximately RMB80.9 million, RMB127.4 million, RMB189.6 million and RMB82.9 million, respectively. |
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As of the Latest Practicable Date, Nanjing Zeputuo had one outstanding project pending final project-completion check.

As of the Latest Practicable Date, Nanjing Yitaike was still in the preparatory stage prior to commence any business operations.

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| (h) <b>Segregated management</b> | While during the Track Record Period and up to the Latest Practicable Date, Ms. Wang served as a director of Nanjing Zeputuo, and during the Track Record Period, each of Dr. Chen, Ms. Wang and Mr. Feng Yijing, our executive Directors, was also a director of Nanjing Yitaike, he/she was mainly involved in the strategic planning instead of the daily affairs of Nanjing Zeputuo and Nanjing Yitaike. During the Track Record Period and up to the Latest Practicable Date, the daily operations of Nanjing Zeputuo and Nanjing Yitaike had been managed by management teams different from that of our Group. On December 16, 2021, Ms. Wang and Mr. Feng Yijing resigned from Nanjing Yitaike as directors and ceased to hold any positions in Nanjing Yitaike. |
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*Notes:*

1. As confirmed by our Directors, none of the Nanjing Entities had any business relationship with our Group during the Track Record Period.
2. As our Group may apply WLAN millimeter wave chip products in our products and services in the future depending on industry trends, the development of WLAN millimeter wave technology and our customer needs, Nanjing Yitaike could potentially become our supplier in the future. Since our inception and up to the Latest Practicable Date, our Group had not commenced any business operation relating to WLAN millimeter wave technology and its related chip products, nor had we applied WLAN millimeter wave technology in our products and services. As advised by Frost & Sullivan, as of the Latest Practicable Date, the WLAN millimeter wave technology was still in the R&D stage and had yet to commence commercialization in the PRC.
3. During the Track Record Period, the Nanjing Entities and our Group did not source from the same suppliers, and accordingly, there had been no overlapping suppliers in between.

Based on the foregoing, our Directors are of the view that our business can be clearly differentiated from that of Nanjing Zeputuo and Nanjing Yitaike, and there will not be any direct or indirect competition of their businesses with that of our Group. Our Group positions itself as a market player in the PRC private 5G network market providing data transmission and processing services for IoT applications and telecommunication equipment with 5G technologies adopted, seeking to expand horizontally to enhance our research and development capabilities and expand our product portfolio relating to the development of data transmission and processing services for IoT applications and telecommunication equipment through acquisition of companies with similar principal business being business research and development of telecommunication equipment, such as 5G base station, chip board, software enhancing connection with 5G network, thereby consolidating our market position. In this regard, as the acquisition targets, similar to our Group, focus on the commercialization of 5G technology to provide telecommunication equipment and related solutions, the Directors confirm that the principal business as engaged by the targeted companies for acquisition and the Nanjing Entities are different.

As confirmed by the Nanjing Entities based on their current R&D progress and best estimate, it is currently expected the complete commercialization of such technology to take place in around the second half of 2024, subject to any difficulties or technical impediments that the Nanjing Entities may experience as it is typically costly and time consuming to develop new technologies as well as adapt to changing market conditions from time to time. Given that the WLAN millimeter wave technology, being the research focus of the Nanjing Entities, was still in the R&D stage for its commercialization with uncertainties pertaining to and substantial time and effort involved in such R&D stage as of the Latest Practicable Date, engaging in the research and development activities of a completely different technology would involve substantial investment and in-depth expertise, our Directors believe that the inclusion of the Nanjing Entities to expand its business upstream would divert our business focuses and resources dedicated to our principal business. In addition, in light of our gradual shift in our business focus to the development and commercialization of 5G technology by providing telecommunication equipment and data transmission and processing services for IoT applications, such upstream integration focusing on research and development of WLAN



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millimeter wave technology for use of fixed wireless devices connection does not align with our current business strategies. As Nanjing Yitaike is still in its initial stage of business development and in view of different business focuses of the Nanjing Entities as compared to that of our Group, our Directors therefore have no intention to expand upstream to include the Nanjing Entities in our Group in the near future. For further details, see “Business — Our Business Strategies” and “Future Plans and [REDACTED] — [REDACTED]” in this Document.

In this regard, our Company has entered into a preferential technology licensing framework agreement (the “**Framework Agreement**”) with the Nanjing Entities, Dr. Chen and Ms. Wang (each being our Controlling Shareholder, holding a controlling stake in Nanjing Yitaike and Nanjing Zeputuo, respectively), whereby our Company may from time to time during the term of the Framework Agreement by notice in writing to the Nanjing Entities to request entering into an individual licensing agreement with the Nanjing Entities to acquire a non-exclusive license to utilize the relevant technology and related applications as developed by the Nanjing Entities for so long as Dr. Chen and/or Ms. Wang (as the case may be) remain to hold over 50% equity interest, directly or indirectly, in the Nanjing Yitaike and/or Nanjing Zeputuo, respectively (as the case may be). Pursuant to the Framework Agreement, the individual licensing agreement to be entered into shall be entered into by the parties in good faith after arm’s length negotiation and on normal commercial terms.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business. For details of the Deed of Non-competition, see “— Deed of Non-competition” in this section.

### **RULE 8.10 OF THE LISTING RULES**

Our Controlling Shareholders and our Directors do not have any interest in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

### **DEED OF NON-COMPETITION**

Each of our Controlling Shareholders (each a “**Covenantor**” and collectively as the “**Covenantors**”) has given an irrevocable non-competition undertaking in favor of the Company (for itself and for benefit of each of the members of our Group) under the Deed of Non-Competition pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with the Company that, among others, with effect from the [REDACTED] Date and for as long as the Shares remain [REDACTED] on the [REDACTED] and the Covenantors are individually or collectively with any of their respective close associates

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interested directly or indirectly in not less than 30% of the then issued Shares (the "**Restricted Period**"), each Covenantor shall not, and shall procure that their respective close associates will not:

- (i) save for engaging in the Restricted Business (as defined below) through our Group, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, carry on, develop, invest in, engage in, participate or be interested in or acquire or hold any right or interest in or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venture, employee, consultant, agent or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group in the PRC and any part of the world (the "**Restricted Business**");
- (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (a) soliciting our Group's customers, suppliers, employees or personnel of any member of our Group; (b) inducing or soliciting any person to induce any competition or suspension of the business of our Group; and (c) engaging in any business or activity on its own account or jointly with any person, that uses any trade name or trademark (registered or non-registered) of our Group, or any name of our Group that is used in association with our Group's business or activity at intervals, or any fraudulent imitations (except for circumstances in which our Group is involved); and/or
- (iii) without the prior consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as the Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business.

Each of the Covenantors also undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity within and/or outside the PRC relating to the Restricted Business (the "**Business Opportunity**") identified by or offered to the Covenantors and/or any of their close associates (the "**Offeror**") is first referred to our Company in the following manner:

- (i) the Covenantors are required to, and shall procure their close associates to, refer, or procure the referral of, the Business Opportunity to our Company, and shall give written notice to our Company of any Business Opportunity containing all information reasonably necessary for our Company to consider whether (a) the Business Opportunity would constitute competition with its core business and/or any other new business which our Group may undertake at the relevant time, and (b) it is in the interest of our Group to pursue the Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition (the "**Offer Notice**") within 30 business days of identifying the Business Opportunity; and



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- (ii) the Offeror will be entitled to pursue the Business Opportunity only if (a) the Offeror has received a written notice from our Board declining the Business Opportunity and confirming that the Business Opportunity would not constitute competition with the core business of our Company, or (b) the Offeror has not received the notice from our Board within 20 days from the receipt of the Offer Notice, provided that the principal terms by which the Offeror subsequently pursues the Business Opportunity are substantially the same and are not more favorable than those made available to our Company; if there is a material change in the terms and conditions of the Business Opportunity pursued by the Offeror, the Offeror shall refer to the Business Opportunity as so revised to our Company again in the manner as set out above as if it were a new Business Opportunity and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable.

Upon receipt of the Offer Notice, our Company shall seek opinions and decisions from our Board (other than Directors who have a material interest in the matter) as to whether (a) such Business Opportunity would constitute competition with our Company's core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the Business Opportunity. Any Director who has material interest in the Business Opportunity shall abstain from voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from holding or being interested in a direct or indirect shareholding interest of not more than 5% of the issued shares in a company listed on a recognized stock exchange and engaged in any Restricted Business provided that the relevant Covenantors and/or their respective close associates do not control the majority of the composition of the board of directors of that company.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates after the [REDACTED] for the following reasons:

### **Management Independence**

Our management and operational decisions are made by our Board and our senior management. Our Board comprises four executive Directors and three independent non-executive Directors. While two out of our seven Directors, namely Dr. Chen and Ms. Wang, are also our Controlling Shareholders, all of our other Directors and senior management team members possess relevant management and/or industry-related experience to act as Directors or senior management of the Company and to make management decisions independent from our Controlling Shareholders. For further details, see "Directors and Senior Management" in

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this Document. Each of Dr. Chen and Ms. Wang has also given non-competition undertakings in favour of our Company. For further details, see “— Deed of Non-competition” in this section.

As at the Latest Practicable Date, Ms. Wang and Mr. Feng Yijing, our executive Directors, have resigned from their directorships in Nanjing Yitaike. As a director of Nanjing Yitaike responsible for strategic planning, Dr. Chen’s role and duties with Nanjing Yitaike are not onerous and are therefore not expected to occupy a material amount of his time on a daily basis. With respect to Nanjing Haoxin and Nanjing Zeputuo in which Ms. Wang holds general partnership and directorship, respectively, it is expected that her time to be devoted to both Nanjing Haoxin and Nanjing Zeputuo to be minimal upon [REDACTED] having regard to their current status and the role of Ms. Wang in these two companies. Save for Dr. Chen and Ms. Wang, there is no overlap of directors and members of the senior management between our Group and each of Nanjing Yitaike, Nanjing Haoxin and Nanjing Zeputuo.

Each of our 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 Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. 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 the Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Further, following the [REDACTED] of our Shares on the [REDACTED], our Board will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to be reviewed by our independent non-executive Directors. Our Directors are of the view that the substantial proportion of independent non-executive Directors comprising our Board of Directors should enhance our overall corporate governance standards.

Based on the above, our Directors are of the view that our Board, as a whole, together with our senior management team, is capable of managing our business independently of our Controlling Shareholders and their respective close associates.

### **Operational Independence**

We have established our own business independent of that of our Controlling Shareholders and/or their close associates. We make business decisions independently, hold all relevant licenses necessary to carry on our business and have sufficient capital, and manpower to operate our business independently. We have established our own organizational structure made up of individual departments, each with specific areas of responsibilities. We do not rely on our Controlling Shareholders or their close associates for our operations. We have independent access to suppliers and customers. We have not shared any operational resources

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such as sales and marketing, risk management and general administration resources with our Controlling Shareholders and/or their respective close associates during the Track Record Period. We have established a set of internal controls to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

### Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function.

During the Track Record Period, we primarily funded our operations and expansions through bank borrowings, our Shareholders' equity and cash flow from our operations. As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by, or granted to, any of our Controlling Shareholders or their respective associates. In the circumstances, we believe we are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders.

Based on the above, our Directors are of the view that we are financially independent of our Controlling Shareholders and their respective close associates.

### CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest after the [REDACTED]. In particular, we will implement the following measures:

- as part of our preparation for the [REDACTED], we have amended 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 close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

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- we are committed that our Board should include a balanced composition of Directors (including 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 and/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 and external opinion to protect the interests of our [REDACTED]. For details of our independent non-executive Directors, see “Directors and Senior Management — Directors — Independent Non-executive Directors”;
- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual report or by way of announcements;
- our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- we will disclose, to the extent permissible by applicable laws and regulations, the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we have appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor, 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; and
- any transaction made (or proposed to be made) between our Company and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, but without limitation, where applicable, the announcement, reporting, circular and shareholders’ approval requirements and (ii) those other conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.