
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, (1) Ms. Wei controls approximately 31.59% of the voting rights of the Company through (i) direct beneficial interest amounting to 14.48% of our total issued Shares, and (ii) Shanghai Tuxin, a platform holding Shares for the [REDACTED] Share Incentive Plans of the Group in which the entire voting rights were exercised under the instruction of Ms. Wei, which held 17.11% of our total issued Shares; and (2) Dr. Yan has a direct beneficial interest amounting to 8.84% our total issued Shares. On June 18, 2020, Ms. Wei and Dr. Yan entered into the Concert Party Deed, pursuant to which, when exercising their respective shareholders rights in shareholders’ meetings and Board meetings, it was agreed that Ms. Wei and Dr. Yan shall act in complete concert in daily management of the Company and exercise of voting rights in as a shareholder and as a director. In the event of disagreement in relation to the management of our Company, Dr. Yan shall act in accordance with Ms. Wei’s direction. In the event of disagreement in relation to the technical aspects of our operation, Ms. Wei shall act in accordance with Dr. Yan’s direction.

Accordingly, Ms. Wei, her controlled entity, Shanghai Tuxin and Dr. Yan constitute our group of controlling shareholders (the “**Controlling Shareholders Group**”) as of the Latest Practicable Date, who collectively held approximately 40.43% of our total issued Shares.

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED], our Controlling Shareholders Group will be entitled to collectively control the exercise of approximately [REDACTED]% of the total voting rights of our Company.

As of the Latest Practicable Date, none of the members of the Controlling Shareholders Group, its close associates and our Directors had any interest in any business which competes or is likely to compete, directly or indirectly, with our businesses which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors, and we also have one additional senior management member (who is not a Director). Each of our Directors and senior management members possesses relevant management, financial or industry-related experience to contribute to the management of our business. For details on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of the Controlling Shareholders Group after the [REDACTED] because:

- (a) each Director 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 interest of our Company and does not allow any conflict between his/her duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by our executive Directors and the members of our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

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- (c) we have three independent non-executive Directors, representing one-third of the Board. The independent non-executive Directors will represent an element of independence at the board level, and certain matters of our Company must always be referred to the independent non-executive Directors for review, to protect the interests of our Company and the Shareholders as a whole; and
- (d) we have adopted other corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Controlling Shareholders Group, which would enhance our independent management. See “— Corporate Governance Measures.”

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

Operational independence

Our Group is operationally independent from our Controlling Shareholders Group. Our Company (through our subsidiaries) holds all relevant licenses necessary to carry out our business operations. We own or are legally licensed to use all relevant intellectual property and own facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders Group. We also have independent access to our customers and independent departments, each with specific areas of responsibilities. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders Group.

Financial independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We have sufficient capital to operate our business independently, and have adequate internal resources and working capital to support our daily operations. We do not expect to rely on the Controlling Shareholders Group and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the [REDACTED] from the [REDACTED].

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by the Controlling Shareholders Group or their respective close associates. As of the Latest Practicable Date, there were certain outstanding guarantees provided by members of the Controlling Shareholders Group. See note 38 to the Accountants' Report in Appendix I. We expect that the outstanding guarantees provided by members of the Controlling Shareholders Group would be released upon the [REDACTED].

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders Group.

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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 our Controlling Shareholders Group:

- (a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders Group or any of its associates are, under the Listing Rules, required to abstain, member(s) of the Controlling Shareholders Group shall abstain from voting and their votes shall not be counted in respect of such transactions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with any member of the Controlling Shareholders Group or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules;
- (c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Controlling Shareholders Group, our Controlling Shareholders Group shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;
- (d) our Controlling Shareholders Group will provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) 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;
- (f) we have appointed Altus 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 Listing Rules, including various requirements relating to corporate governance; and
- (g) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

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