

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Dr. Shen, (i) directly held approximately 9.54% of the total issued share capital of our Company, and (ii) controlled an aggregate of approximately 21.25% of the voting rights of our Company, as the general partner of each of Shanghai Jiequ, Shanghai Zhiqu, Shanghai Zhuoqu, Shanghai Jielu, Shanghai Lindun and Shanghai Xingqu. Therefore, Dr. Shen is entitled to exercise the voting rights attaching to approximately 30.79% of our total issued share capital as of the Latest Practicable Date.

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Dr. Shen shall be entitled to exercise the voting rights attaching to approximately [REDACTED]% of our total issued share capital. Therefore, upon [REDACTED], Dr. Shen, together with Shanghai Jiequ, Shanghai Zhiqu, Shanghai Zhuoqu, Shanghai Jielu, Shanghai Lindun and Shanghai Xingqu will remain as our Single Largest Group of Shareholders and our Company will not have any controlling shareholders as defined under the Listing Rules upon [REDACTED].

INTERESTS OF THE SINGLE LARGEST GROUP OF SHAREHOLDERS IN OTHER BUSINESSES

Our Single Largest Group of Shareholders have confirmed that as of the Latest Practicable Date, they did not have any interest in other businesses, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently of the Single Largest Group of Shareholders and their close associates after the [REDACTED], taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. Dr. Shen, a member of the Single Largest Group of Shareholders, is our Founder, Chairman of the Board, Executive Director and Chief Executive Officer of our Company.

Our Directors consider that we are able to carry on our business independently of our Single Largest Group of Shareholders from a management perspective for the following reasons:

- (a) our daily management and operations are carried out by a 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. See “Directors and Senior Management”;
- (b) 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 our 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 a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;

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- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and
- (d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Group of Shareholders which would support our independent management. See "Directors and Senior Management — Corporate Governance."

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently of the Single Largest Group of Shareholders and their close associates after the [REDACTED].

Operational Independence

We do not rely on our Single Largest Group of Shareholders and their close associates for our daily operations. While our business operations and growth prospects might be affected by the experience and abilities of our Founder and our senior management and key personnel, we have our own departments specializing in business development, sales and marketing, research and development, financing, logistics, human resources, administration, internal audit, information technology, legal and compliance, or company secretarial functions which have been in operation and are expected to continue to operate separately and independently of our Single Largest Group of Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

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

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 in charge of our treasury function. Our Company maintains bank accounts independently and does not share any bank account with our Single Largest Group of Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Single Largest Group of Shareholders and their close associates. We do not expect to rely on the Single Largest Group of Shareholders and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [REDACTED] from the [REDACTED].

In addition, we are capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Single Largest Group of Shareholders or their respective close associates. During the Track Record Period, certain of our Group's bank loans were guaranteed by Dr. Shen. As of the Latest Practicable Date, all of Dr. Shen's personal guarantees on the guaranteed loans have been released. For further details on our bank borrowings, see Note 32 of the Accountants' Report set out in Appendix I to this document. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to the Single Largest Group of Shareholders or their close associates.

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Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Single Largest Group of Shareholders or their close associates after the [REDACTED].

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of implementing good corporate governance and effective internal control measures in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Group of Shareholders and their close associates:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Single Largest Group of Shareholders or any of their respective associates has a material interest, our Single Largest Group of Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) as part of our preparation for [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provides that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest, nor shall such Director be counted in the quorum present at the Board meeting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Group enters into connected transactions with our Single Largest Group of Shareholders or any of their respective associates, we will comply with the applicable Listing Rules;
- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See “Directors and Senior Management”;
- (e) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company’s expenses; and
- (f) we have appointed Somerley Capital Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

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 Group of Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].