
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the [REDACTED], Mr. Robin Yanhong Li, our chairman and chief executive officer, will be interested in and will control through: (i) 3,013,200 Class A Ordinary Shares directly held by Mr. Robin Yanhong Li on record, (ii) 2,232,000 Class A ordinary shares in the form of ADSs held by Mr. Robin Yanhong Li in the brokerage account of the administrator of our employee stock option program, (iii) 342,320 Class A Ordinary Shares issuable to Mr. Robin Yanhong Li upon exercise of options within 60 days after the Latest Practicable Date, (iv) 14,560 Class A Ordinary Shares issuable to Mr. Robin Yanhong Li upon vesting of restricted shares within 60 days after the Latest Practicable Date, (v) 439,200,000 Class B Ordinary Shares held on record by Handsome Reward Limited, a British Virgin Islands company wholly owned by Mr. Robin Yanhong Li, (vi) 5,772,720 Class A ordinary shares in the form of ADSs held by Handsome Reward Limited in the brokerage account of the administrator of our employee stock option program, (vii) 6,916,480 Class A Ordinary Shares issuable to Handsome Reward Limited upon exercise of options within 60 days after the Latest Practicable Date. See “Directors and Senior Management—Compensation—Share Incentive Plans” for details of our employee share incentive plan.

Without taking into account (i) any allotment and issuance of Class A ordinary shares upon exercise of the [REDACTED], (ii) the Class A ordinary shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time to grantees other than Mr. Robin Yanhong Li and Handsome Reward Limited and (iii) any issuance or repurchase of Shares and/or ADSs that we may make, Mr. Li’s aggregated shareholding will be approximately [REDACTED] of our issued share capital and he will hold approximately [REDACTED] of the voting rights in the Company through shares beneficially owned by him and capable of being exercised on resolutions in general meetings. Therefore, Mr. Li will be a Controlling Shareholder after the Listing. For more information on Mr. Li’s shareholding, please see “Major Shareholders”.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our directors are satisfied that we are capable of carrying on our business independently of our controlling shareholders and their close associates after the Listing.

Management independence

Our business is managed and conducted by our board and senior management. Our board consists of five directors, of whom four are independent directors unrelated to our Controlling Shareholders. For more information, please see “Directors and Senior Management.”

Our directors consider that our board and senior management will function independently of our controlling shareholders 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 interests, of our Company and does not allow any conflict between his/her duties as a director and his/her personal interests;
- (b) our daily management and operations are carried out by our senior management, 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;
- (c) we have four independent directors and certain matters of our Company will always be referred to them for review and/or approval;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) 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 his/her interest before voting at the relevant meeting(s) in respect of that transaction; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders that would support our independent management; see “—Corporate Governance Measures” in this section.

Operational Independence

Our Group is not operationally dependent on our controlling shareholders. Our Group 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 our controlling shareholders. Our access to, and relationship with, our customers and suppliers are independent of our Controlling Shareholders, 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 our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders 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, our Controlling Shareholders and their respective close associates.

DISCLOSURE UNDER RULE 8.10 OF THE HONG KONG LISTING RULES

Our Controlling Shareholders 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 our Controlling Shareholders and/or directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our controlling shareholders 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.

Our Controlling Shareholders and directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our principal business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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:

- (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 Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws, 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, and corporate governance and nominating committee with written terms of reference in compliance with the rules of 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 our Controlling Shareholders, and to protect our minority shareholders’ interests after the Listing.