
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, our Co-founders, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, through their respective wholly-owned offshore holding companies (including Lemontree Evergreen, Lemontree Harvest, Free Flight, Faye Free, MEOO Limited, A&O Investment, Z&N Investment and Linmon Run (collectively, "**Founders SPVs**")), indirectly held approximately 20.60%, 9.56%, 9.56% and 6.55% of the issued share capital of our Company, respectively.

On August 17, 2020, our Co-founders entered into the Concert Party Agreement, pursuant to which each of them confirmed that (1) since July 25, 2014, our Co-founders had communicated thoroughly before the shareholders' meetings of Shanghai Linmon and act in concert by aligning their votes at the shareholders' meetings of Shanghai Linmon; (2) Mr. Su had and will continue to take the lead, and Ms. Chen, Ms. Xu and Mr. Zhou had supported and will continue to support Mr. Su in this regard by following Mr. Su's decisions in relation to the exercise of their voting rights at the meetings of the shareholders of Shanghai Limon; and (3) such act in concert arrangement will continue so long as they remain interested, directly or indirectly, in the shares of Shanghai Linmon, regardless of any form of reorganization of the shares of Shanghai Linmon. As such, our Co-founders will act in concert aligning their vote in the Company.

In light of such act in concert arrangement, as of the Latest Practicable Date, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, through the Founders SPVs, together indirectly hold and are entitled to exercise the voting rights attaching to approximately 46.27% of our total issued share capital, and Mr. Su, Ms. Chen, Ms. Xu, Mr. Zhou and each of the Founders SPVs are considered as a group of Controlling Shareholders for the purpose of the Listing Rules.

Immediately following the completion of the [REDACTED] presuming the Assumptions, Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou will control, through the Founders SPVs, in aggregate of approximately [REDACTED]% of the voting power at general meetings of our Company and will remain as a group of our Controlling Shareholders.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders confirms 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 business that would require disclosure under Rule 8.10 of the Listing Rules.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see "Directors and Senior Management." Notwithstanding that our executive Directors, namely Mr. Su, Ms. Chen, Ms. Xu and Mr. Zhou, are our Controlling Shareholders, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he 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/her personal interests;
- (b) 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;
- (c) 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 meetings of our Company in respect of such transactions;
- (d) Our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders or their respective associates; (b) our independent non-executive Directors account for no less than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and all of them have experience as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

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- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “– Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective associates after the [REDACTED]:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) we are the holder of all relevant licenses material to the operation of our business;
- (c) we have independent access to our customers and suppliers;
- (d) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (f) none of our Controlling Shareholders or their respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

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As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders to us.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

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 a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to 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) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) 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;

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- (g) we have appointed Somerley Capital Limited as our compliance adviser 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
- (h) we have established our Audit Committee, Nomination Committee and Remuneration Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 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, and to protect our minority Shareholders' interests after the [REDACTED].