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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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### OVERVIEW

As at the Latest Practicable Date, Mr. Yang Wenlong indirectly owns or controls 50.48% of the voting rights of our Company (as to approximately 21.16% being held through Delight Health Limited, approximately 22.59% being held through Future Health Limited, approximately 6.73% being held or controlled through voting rights entrustment arrangements (including, 0.90% being held or controlled through Excel Returns Group Limited, approximately 4.16% being controlled through Go Prosper Enterprises Corporation, and approximately 1.67% being controlled through Much Premium Investment Limited) (“**Voting Rights Entrustment Arrangements**”). Delight Health Limited is a wholly owned subsidiary of Delight Faith Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Yibin as to 40% of its equity interest. Future Health Limited is a wholly owned subsidiary of Go Far Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Xiao as to 40% of its equity interest.

Therefore, Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited and Go Far Limited are deemed to be a group of Controlling Shareholders (“**Controlling Shareholders Group**”) of our Company.

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), the Controlling Shareholders Group will be interested in [REDACTED]% of the voting rights of our Company and thus remain a group of Controlling Shareholders of our Company.

### DELINEATION OF BUSINESS AND COMPETITION

#### Our Business

We are a pioneer and leader in providing express digital healthcare service in China. We create a vibrant ecosystem through the products and services we offering connecting our users, doctors and pharmacists, pharmacies, pharmaceutical companies, insurance companies and other participants in the ecosystem.

Our business comprises of a series of product and service offerings, mainly (i) drug express, which allows users to purchase and gain express access to OTC drugs, prescription drugs and healthcare products in a timely and convenient fashion, (ii) online medical consultation, which provides cost-effective and convenient online medical consultation to users, and (iii) chronic disease and healthcare management, which provides users with high-quality services addressing various needs of users with chronic diseases. In addition to such three major offerings, we also provide our users with other service offerings such as clinical appointment, and psychological consultation.

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### Controlling Shareholders Group’s Business

Our Controlling Shareholders Group, apart from its interests in our Group, is also entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of certain companies including Renhe Group, Renhe Pharmacy Group and certain investment holding companies. Renhe Group and Renhe Pharmacy Group primarily engage in the research and development, manufacture and sales of self-branded drugs, active pharmaceutical ingredients and healthcare products. The aforementioned investment holding companies are not currently engaged in active investment operations and only invest in Beijing Chunbo Technology Co., Ltd. (北京春播科技有限公司), which is an e-commerce provider of fresh agricultural products.

### Delineation between the Business of the Group and the Controlling Shareholders Group

Our Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders Group and our Group because our business nature and model is different from that of the Controlling Shareholders Group:

- **Different businesses and market players:** our Group mainly engages in (i) provision and express delivery of OTC drugs, prescription drugs and healthcare products through online and offline channels; (ii) provision of cost-effective and convenient online medical consultation, of a wide range of conditions and cases with a primary focus on common and chronic illness; and (iii) provision of chronic disease and healthcare management to users with chronic diseases such as liver diseases and skin disorders. Our Controlling Shareholders Group does not engage in aforementioned businesses. In contrast, Renhe Group and Renhe Pharmacy Group mainly engage in (i) research, development, and manufacture of self-branded drugs, active pharmaceutical ingredients and healthcare products; (ii) sales of self-branded products through traditional offline distributors. From the perspective of the industry chain, our Group serve as one of the downstream distribution channels of Renhe Group and Renhe Pharmacy Group. Renhe Group also has presence in real estate business. As our Group does not engage in manufacture of any pharmaceutical products, active pharmaceutical ingredients, healthcare products, or real estate business, our Group did not and will not compete against Renhe Group or Renhe Pharmacy Group;
- **Different distribution models and customers:** our Group mainly pursues an online-to-offline strategy and mainly engages in online direct sales to customers. Our customers primarily include users who purchase our offerings through our online and offline channels, and our distributors. Our distributors include individuals or small enterprises that purchase our products and further on-sell to users through e-commerce platforms, as well as some major e-commerce retailers that on-sell our products to users. In contrast, Renhe Group and Renhe Pharmacy Group typically function as traditional developer and manufacturer of drugs and other healthcare products and sell their self-branded products through traditional offline distribution channels and usually do not involve in direct sales to individual customers; and
- **Collaborative relationships between our Group and Renhe Group and Renhe Pharmacy Group:** our Group act as an exclusive online distribution channel of Renhe Group and Renhe Pharmacy Group by procuring and selling the drugs and healthcare products manufactured by Renhe Group and Renhe Pharmacy Group. Such collaborative arrangement reflects that the relationship between our Group and Renhe Group and Renhe Pharmacy is more akin to cooperation, rather than competition, in substance.

Based on above, our Directors are of the view that the Controlling Shareholders Group has no interest in a business apart from our Group’s business, which competes, or is likely to compete, whether directly or indirectly, with our Group, which would otherwise require disclosure under Rule 8.10(1) of the Listing Rules.

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### NON-COMPETITION UNDERTAKING

Mr. Yang Wenlong has signed a non-competition undertaking on [●] in favour of our Group (the "**Non-competition Undertaking**"), pursuant to which, Mr. Yang Wenlong has unconditionally and irrevocably undertaken that as long as the Shares of our Company are [REDACTED] on the Stock Exchange and he remains as our Controlling Shareholder, he will not, and will reasonably procure the entities where he is substantial shareholders will not, directly and indirectly, operate or be involved in any business competing or is likely to compete with our Group.

The above undertaking does not apply where:

- (i) Mr. Yang Wenlong and/or entities where he is substantial shareholders hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;
- (ii) Mr. Yang Wenlong and/or entities where he is substantial shareholders hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than our Group;
- (iii) Mr. Yang Wenlong and/or entities where he is substantial shareholders hold any equity interests in any company other than our Group, except that:
  - (a) according to the latest audited accounts of such company, the businesses of the company, which competes or is likely to compete with our Group, (and its related assets) accounts for less than 10% of the consolidated sales or consolidated assets of the company; and
  - (b) the total number of shares held by the Mr. Yang Wenlong and/or entities where he is substantial shareholders account for no more than 10% of the shares of the same class issued by such company.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, the Directors believe that our Group can conduct our business independently from the Controlling Shareholders Group and its close associates after the completion of the [REDACTED].

#### Management Independence

The Board of our Company consists of nine Directors, including four executive Directors, two Non-executive Directors and three Independent Non-executive Directors, of which one Director, (the "**Overlapping Director**") also holds and will continue to hold positions in the Controlling Shareholders Group and/or its close associates after the completion of the [REDACTED].

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

The following table sets forth the positions held by our Directors and Senior Management in the Controlling Shareholders Group and/or its close associates as at the Latest Practicable Date:

Name	Positions within our Company	Positions within the Controlling Shareholders Group and/or its close associates
Mr. Yang Wenlong (楊文龍) . . . . .	Executive Director, Chairman, and President	Executive director and president of Renhe
Mr. Xu Ning (徐寧) . . . . .	Executive Director and Vice President	None
Mr. Yu Lei (俞雷) . . . . .	Executive Director and Vice President	None
Mr. Yu Qinglong (於慶龍) . . . . .	Executive Director and Chief Technology Officer	None
Ms. Cai Li (蔡俐) . . . . .	Non-executive Director	None
Ms. Lian Suping (連素萍) . . . . .	Non-executive Director	None
Mr. Zhang Shouchuan (張守川) . . . . .	Independent Non-executive Director	None
Mr. Fan Zhenhong (樊臻宏) . . . . .	Independent Non-executive Director	None
Mr. Jiang Shan (姜山) . . . . .	Independent Non-executive Director	None
Mr. Wang Yongzhi (王永智) . . . . .	Board Secretary and Joint Company Secretary	None
Mr. Lam Yiu Por (林曉波) . . . . .	Chief Financial Officer and Joint Company Secretary	None

Mr. Yang Wenlong, the Chairman of the Board President and an executive Director of our Company, is also a member of the Controlling Shareholders Group and serves as the executive director and president of Renhe. Mr. Yang Wenlong is responsible for making decisions on matters relating to the general development and corporate operation strategy of Renhe.

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Save as disclosed above, none of our Directors or members of senior management holds any other position in the Controlling Shareholders Group or its close associates. As illustrated above, three out of four Executive Directors and all senior management other than Mr. Yang Wenlong do not hold any position in the Controlling Shareholders Group or its close associates. The Company and the Controlling Shareholders Group and its close associates are managed by separate management teams. Hence, we have sufficient management team members who do not hold any position in our Controlling Shareholders Group and/or its close associates and are independent and have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group.

The Directors believe that our management is capable of managing the Group's business and operation independently of the Controlling Shareholders Group after the [REDACTED] for the following reasons:

- (i) each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (ii) according to the Articles of Association, the Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting, therefore the overlapping roles of the Directors will not affect the independence of their roles or the independence of the Board;
- (iii) the Board of our Company has a balanced composition of nine Directors, and three of them are 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 Group or its close associates; (b) our independent non-executive Directors account for one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view 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 interests of our Company and our Shareholders as a whole; and
- (iv) having considered (i) the fact that none of the Controlling Shareholders Group or its close associates is engaged in businesses which are similar to the core businesses of our Group and (ii) the management system on connected transactions adopted and implemented by us as set out in "Connected Transactions — Internal Control Measures", the Company believes that the possibility of conflict of interest or potential conflict of interest issues in discharging the Overlapping Director's duties of business and operation management of our Group is relatively low.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management can operate our business independently from our Controlling Shareholders Group and its close associates.

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### **Operational Independence**

We have full rights to make and implement all operational decisions regarding our own business operations independently from our Controlling Shareholders Group and its close associates. We have our own organisational structure with independent departments, each with specific areas of responsibility, and also maintains a set of comprehensive internal control measures to facilitate the effective operation of our business. We, directly or indirectly through our subsidiaries, hold all relevant licenses, approvals and permits from relevant regulatory authorities which are material to our business operations. We are in possession of all operating facilities and technology relating to our business and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders Group and its close associates.

Due to the features and characteristics of our businesses, we entered into certain continuing connected transactions with the Renhe. For more details, see "Connected Transactions". Other than the royalty-free trademark licensing as disclosed in the "Connected Transaction" section, to knowledge, there is no sharing of resources between each of the companies/businesses held by the Controlling Shareholders Group and the Group without being recharged to the Group on an arm's length basis. For the year ended December 31, 2020, approximately 29.2% of the drugs and healthcare products we purchased are self-branded products of Renhe Group and Renhe Pharmacy Group. Considering that our access to independent sources and the sufficiently competitive market, our Directors believe that, even if such agreements are terminated, we will be able to identify other suitable partners or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and the operational needs without causing any undue delay or suspension in operation.

Based on the above, our Directors believe that we are able to operate our business independently from our Controlling Shareholders Group and/or its close associates.

### **Financial Independence**

We have our own accounting and financial management system and accounting and finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Controlling Shareholders Group and its close associates and making independent financial decisions according to our own business needs. We maintain bank accounts independently and do not share any bank account with the Controlling Shareholders Group. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of the Controlling Shareholders Group and its close associates.

In addition, we have independent access to third party financing and do not rely on financial assistance provided by, or any guarantee or mortgage from the Controlling Shareholders Group and/or its close associates to obtain the relevant financing. As of the [Latest Practicable Date], all borrowings and non-trade transactions between us and the Controlling Shareholders Group and/or its close associates have been settled, and all guarantees provided to us by the Controlling Shareholders Group and/or its close associates have been released.

Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholders Group and/or its close associates.

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### CORPORATE GOVERNANCE MEASURES

Upon the completion of the [REDACTED], our Company will adopt the following corporate governance measures to identify and manage potential conflicts of interest:

- (i) where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholders Group has a material interest, the Controlling Shareholders Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting;
- (ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting;
- (iii) our independent non-executive Directors will review, on an annual basis, the compliance by our Controlling Shareholders Group with the Non-competition Undertaking, and the compliance and enforcement of which will be disclosed in the annual reports of the Company;
- (iv) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group and our Controlling Shareholders Group and/or Directors, the Controlling Shareholders Group and/or 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 in its annual report or by way of announcements;
- (v) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- (vi) any transaction between our Company and the Controlling Shareholders Group and its associates shall comply with the relevant requirements of the Listing Rules, including, where appropriate, the announcement, reporting, and independent Shareholders' approval requirements; and
- (vii) our Company has appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that our Company has sufficient and effective corporate governance measures to manage conflicts of interest between our Group and the Controlling Shareholders Group and/or Directors to protect minority Shareholders' rights after the [REDACTED].