
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. KONG, Ms. ZHANG and Hengqin Luzhu LP held 58,294,513, 20,200,000 and 12,307,500 Shares, respectively, representing approximately 30.35%, 10.52% and 6.41% of our total issued Shares, respectively. As (i) Ms. ZHANG is the spouse of Mr. KONG, and (ii) Mr. KONG is the sole general partner of Hengqin Luzhu LP and can exercise the voting rights attached to the Shares held by Hengqin Luzhu LP in accordance with the partnership agreement entered into among the general and limited partners of Hengqin Luzhu LP, Mr. KONG, Ms. ZHANG and Hengqin Luzhu LP are considered to be a group of Controlling Shareholders, who collectively held approximately 47.28% of our total issued Shares as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. KONG, Ms. ZHANG, and Hengqin Luzhu LP will collectively hold approximately [REDACTED]% of our total issued Shares. Accordingly, Mr. KONG, Ms. ZHANG and Hengqin Luzhu LP will remain as our Controlling Shareholders immediately after [REDACTED].

Both Mr. KONG and Ms. ZHANG are our executive Directors. For further information of Mr. KONG and Ms. ZHANG, see “Directors, Supervisors and Senior Management” in this document. Hengqin Luzhu LP is our employee incentive platform. For further information of Hengqin Luzhu LP, see “History Development and Corporate Structure — Employee Incentive Scheme — Hengqin Luzhu LP” in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders 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 business, and requires disclosure under Rule 8.10 of the Listing Rules. 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 [REDACTED].

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after [REDACTED], for the reasons stated below, we have full rights to make all decisions on, and to carry out, our own business operations independently. We have our independent and separate senior management team and our own staff to support the operations and management of our core business. We have registered the relevant intellectual property rights relating to relevant technologies of our business and our product candidates. We hold the licenses and qualifications necessary to carry on our current business, and have sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to suppliers and customers independently from and not connected to our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Both Mr. KONG and Ms. ZHANG are our executive Directors and our Controlling Shareholders.

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Each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or 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 our Directors or their respective close associates, the interested Director(s) shall abstain from voting on the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. See “— Corporate Governance” in this section for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, and reporting functions of our Company, independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. As of the Latest Practicable Date, there were no loans, advances and balances due to and from our Controlling Shareholders, and no share pledges or guarantees provided by our Controlling Shareholders and their associates on our borrowings. Our source of funding is independent from our Controlling Shareholders and neither our Controlling Shareholders nor their respective associates had financed our operations during the Track Record Period. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders. During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after [REDACTED]. We have also established an Audit Committee comprising one non-executive Director and two independent non-executive Directors in compliance with Rule 3.21 of the Listing Rules.

NON-COMPETITION UNDERTAKING

On [●], our Controlling Shareholders entered into a non-competition undertaking in favor of our Company (for ourselves and on behalf of each of our subsidiaries from time to time) (the “**Non-competition Undertaking**”), pursuant to which each of our Controlling Shareholders has irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or carry out or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in the PRC and any other country or jurisdiction in which our Group carries on such businesses

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and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

- (ii) not solicit any existing employee or then existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as our Controlling Shareholders or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in or carry out any project or business opportunity of the Restricted Activity; and
- (vi) procure its/his/her close associates (excluding our Group) not to invest or participate in or carry out any project or business opportunity of the Restricted Activity, unless pursuant to the exceptions set out below.

The above undertakings are subject to the exceptions that:

- (i) any of the close associates of our Controlling Shareholders (excluding our Group) is entitled to invest, participate and be engaged in or carry out any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group and our subsidiaries) and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection in writing to be involved or engaged, or to participate or carry out, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of our Controlling Shareholders invests, participates or engages or carries on in the Restricted Activity are substantially the same as or not more favorable than those disclosed to our Company. Subject to the above, if the relevant close associate of our Controlling Shareholders decides to be involved, engaged, participate in or carry out the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying on must be disclosed to our Company and our Directors as soon as practicable; and

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- (ii) each of our Controlling Shareholders may either by itself/himself/herself individually or through its/his/her close associate(s) hold and/or be interested in any shares or other securities in any listed company which engages or is involved in any business or activity which directly or indirectly competes with the Restricted Activity, provided that our Controlling Shareholders and their respective close associates will not participate in or be otherwise involved in the management of that listed company, and (a) the total shareholding held by our Controlling Shareholders and their respective close associates in such listed company, whether directly or indirectly, do not, in aggregate, exceed five per cent of the issued share capital of such listed company; or (b) the business or activity conducted or engaged in by such listed company which is in direct or indirect competition with the Restricted Activity accounts for less than 10% of that listed company’s consolidated turnover for any financial year or consolidated assets as at any financial year end.

The Non-competition Undertaking is conditional on (i) the [REDACTED] granting [REDACTED] of, and permission to [REDACTED], all our Shares in issue and to be issued under the [REDACTED] and our Shares which may be issued pursuant to the exercise of the [REDACTED]; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the [REDACTED]) and that the [REDACTED] not being terminated in accordance with their terms or otherwise.

For the above purpose, the “**Relevant Period**” means the period commencing from the [REDACTED] and shall expire on the earlier of the dates below:

- (i) as for our Controlling Shareholders, the date on which our Controlling Shareholders and their close associates (individually or taken as a whole) cease to own 10% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; and
- (ii) the date on which our Shares cease to be [REDACTED] on the Stock Exchange.

Under the Non-competition Undertaking, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Non-competition Undertaking. Each of our Controlling Shareholders has unconditionally and irrevocably undertaken under the Non-competition Undertaking that he/she/it shall provide to us and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Non-competition Undertaking by our Controlling Shareholders. Each of our Controlling Shareholders has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Non-competition Undertaking and a consent to disclose such letter in our annual report.

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CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance 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 Controlling Shareholders:

1. 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, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
2. 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 their close associates, our Company will comply with the applicable Listing Rules;
3. our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
4. 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 Annual Review;
5. our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
6. 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 expenses; and
7. we have appointed Fosun Hani Capital Limited as our compliance advisor to provide advice and guidance to use 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 our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].