
RELATIONSHIP WITH SINGLE LARGEST SHAREHOLDER

OVERVIEW

As of the Latest Practicable Date, Dr. Lu was interested in 12,649,625 Shares, representing approximately 15.71% of the total issued share capital of our Company (on a fully diluted basis). Immediately following the completion of the Global Offering, Dr. Lu will be interested in approximately 14.36% of our total share capital (assuming the Over-allotment Option is not exercised) or approximately 14.18% of our total share capital (assuming the Over-allotment Option is exercised in full).

Confirmation

None of our Directors was, as of the Latest Practicable Date, interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independent from Dr. Lu, our single largest Shareholder, after the Listing.

Management Independence

Our daily operational and management decisions are made collectively by our executive Directors and our senior management, with our Board having an overall supervision of our management. Our Board consists of three executive Directors, five non-executive Directors and four independent non-executive Directors. We believe that our Directors and senior management can independently perform their duties in our Company and we can operate independently from Dr. Lu, our single largest Shareholder, for the following reasons:

- each of our Directors is aware of his/her fiduciary duties as a director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and Dr. Lu or his associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with Dr. Lu or his associates; (b) our independent

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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 as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, our 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

- we will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and Dr. Lu, which would support our independent management. See “– Corporate Governance Measures” in this Section.

Having considered the above factors, 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 Dr. Lu after the Listing.

Operational Independence

Our Group holds all the relevant material intellectual property rights, licenses, qualifications and permits required for conducting our Group’s business. Our Group has sufficient capital, facilities and employees to operate our business independently from Dr. Lu and his close associates. We have our own accounting and financial department, human resources and administration department, internal control department and technology department. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of Dr. Lu and his close associates. Our Directors confirmed that our Group would be able to operate independently from Dr. Lu and his close associates after the Listing.

Financial Independence

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group’s own business needs. Our Group’s accounting and finance functions are independent of Dr. Lu.

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from Dr. Lu and his close associates from a financial perspective and are able to maintain financial independence from Dr. Lu and his close associates.

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CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and Dr. Lu:

- (a) where a Shareholders' meeting is held for considering proposed transactions in which Dr. Lu has a material interest, Dr. Lu shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) 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 the voting;
- (c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and Dr. Lu, Dr. Lu shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;
- (d) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors 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;
- (e) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- (f) we have appointed Opus Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Dr. Lu and/or other Directors to protect minority Shareholders' rights after the Listing.