
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, (i) the Concert Party Group, consisting of Mr. An, Jiangsu Tiaoyu (a company owned by Mr. An and his spouse as to 70% and 30%, respectively) and Mr. He, were collectively interested in approximately 35.84% of the Shares, and pursuant to the Concert Party Agreement, Mr. He shall reach consensus with Mr. An and Jiangsu Tiaoyu before voting unanimously at the general meetings or Board meetings, and in the event consensus cannot be reached among the parties, Mr. He shall follow the instruction of Mr. An and Jiangsu Tiaoyu; and (ii) Jiangsu Tiaoyu, by virtue of its role as the general partner of each of the Employee Ownership Platforms, was deemed to be interested in approximately 9.72% of the Shares held by the Employee Ownership Platforms. Accordingly, the Concert Party Group and the Employee Ownership Platforms constituted our Controlling Shareholder Group, holding in aggregate approximately 45.55% of the Shares as of the Latest Practicable Date.

Immediately following the completion the [REDACTED], the Controlling Shareholder Group will in aggregate hold approximately [REDACTED] of the Shares (assuming the [REDACTED] is not exercised). Therefore, upon Listing, members of the Controlling Shareholder Group will collectively remain our Controlling Shareholders.

For details of the Concert Party Group, the Employee Ownership Platforms and their shareholding in our Company, see "History, Development and Corporate Structure."

COMPETITION

As of the Latest Practicable Date, each of our Controlling Shareholders confirmed that none of them and their respective close associates had any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

We believe that we are capable of carrying on our business from our Controlling Shareholders and their respective close associates (other than the Group) after the Listing for the following reasons:

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. An is one of our executive Directors, chairman of our Board and general manager of our Company, responsible for the strategic planning, business direction, daily operations and management of our Group. Mr. He is an executive Director, responsible for assisting the chairman of our Board in our marketing management related matters. With the support of our experienced management team, each of Mr. An and Mr. He is expected to continuously devote a sufficient portion of his time to the day-to-day

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operations of our Group upon Listing. Mr. An is serving as an executive director of Jiangsu Tiaoyu, and Mr. He does not have any position in Jiangsu Tiaoyu. As of the Latest Practicable Date, save for Mr. An, none of our Directors or members of our senior management held any position at our Controlling Shareholders or their close associates.

Despite the overlapping role assumed by Mr. An in Jiangsu Tiaoyu and the Board as disclosed above, when performing his duties in our Group, Mr. An has been and will continue to be supported by the separate and independent Board which comprises eight other Board members and senior management of our Group. On such basis, Mr. An confirmed that his involvement in Jiangsu Tiaoyu (which is the general partner of our Employee Ownership Platforms) will not affect the discharge of his duties in our Group.

Each of our Directors 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 best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close 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 comprises nine Directors, including three independent non-executive Directors, which represent one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review.

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. For details, see “—Corporate Governance Measures” below.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates and their respective close associates after the Listing.

Operational Independence

We have full rights to make all decisions on, and carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the Listing. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

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Research and development

We have our own R&D function, personnel and production facilities, which are independent from our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, our R&D team had 94 members, who were all full-time employees of our Group and did not hold any position in our Controlling Shareholders or their respective close associates. We, through our subsidiary, Yither Biotech, have established our in-house facilities, which seamlessly support our R&D activities from laboratory-scale trial, clinical trial to commercial scale production. In addition, our Group owns over 180 registered patents in the PRC and other countries which are necessary for our R&D and operations. With such independent R&D functions, an experienced and independent R&D team, independent supporting manufacturing capabilities and self-owned patents, our Directors believe that we have all the requisite resources to carry on our R&D and commercialization of our pipeline products independently.

Access to suppliers and business partners

We have independent access to our suppliers as well as our business partners. Our suppliers and business partners bases are diversified and unrelated to our Controlling Shareholders and their respective close associates.

Operational facilities and administration

We have full-time management team and staff to carry out our own administration and operation independently from our Controlling Shareholders and their respective close associates. All key administrative functions (including administration, finance, internal audit, human resources, legal and compliance and company secretarial functions) have been and will be carried out by our own without reliance or the support of our Controlling Shareholders and their respective close associates.

Employees

As of the Latest Practicable Date, all of our full-time employees were independent from our Controlling Shareholders and their respective close associates and were primarily recruited through both internal referrals and external sources such as campus recruitment, recruitment websites and third-party recruiters.

Based on the reasons above, our Directors are of the view that we have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the Listing.

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Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. We also have our own internal control and accounting systems, accounting and finance department for discharging the treasury function, which all are independent from our Controlling Shareholders and their respective close associates.

During the Track Record Period, Mr. An provided personal guarantee to secure certain of our Group’s bank borrowings and credit facilities with an outstanding principal amount of RMB49.9 million as of September 30, 2024 (the “**Guaranteed Indebtedness**”). As of the date of this document, our Group did not have any outstanding loans, advances or balances due to or from our Controlling Shareholders or their respective close associates which were not arising out of the ordinary course of business. All guarantee provided by our Controlling Shareholders or their respective close associates on the Guaranteed Indebtedness of our Group has been released as of the date of this document. We independently completed the [REDACTED] Investments and raised funds from [REDACTED] Investors which are Independent Third Parties. For details of the [REDACTED] Investments, see “History, Development and Corporate Structure—[REDACTED] Investments” in this document. We expect we will be capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates upon Listing.

Based on the above, our Directors believe that we are able to maintain financial independence and would not place undue reliance on our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it/he has fully comprehended its/his obligations to act in our Shareholders’ best interests as a whole. Our Directors recognize the importance of good corporate governance in protecting 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:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will take effect upon Listing. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

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- (b) a Director with himself/herself or his/her close associates having material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest at the meeting of our Board, shall abstain from voting on such matters and not be counted in the quorum, unless the attendance or participation of such Director at such meeting of the Board is permitted under the Listing Rules;
- (c) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management—Board of Directors—Independent non-executive Directors" in this document;
- (d) we have appointed Octal Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, 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;
- (e) our Company has established internal control mechanisms to identify connected transactions. Upon and after the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules; and
- (f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors believe that there are sufficient and adequate corporate governance measures in place to manage existing and potential conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect minority shareholders' interests after the Listing.