
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Wu personally held 4,712,584 Shares (representing approximately 23.15% of the issued Shares), and was deemed to be interested in (1) 1,104,362 Shares (representing approximately 5.43% of the issued Shares) owned by Minji Investment, a company owned as to 99% by Dr. Wu and 1% by his spouse, Dr. Pan Xin; (2) 1,766,980 Shares (representing approximately 8.68% of the issued Shares) owned by Shanji Investment by virtue of his role as its general partner; (3) 1,104,362 Shares (representing approximately 5.43% of the issued Shares) owned by Deji Investment by virtue of his role as its general partner; (4) 466,930 Shares (representing approximately 2.29% of the issued Shares) owned by Baiji Investment by virtue of his role as its general partner; and (5) 1,227,069 Shares (representing approximately 6.03% of the issued Shares) owned by Guangji Investment, our employee incentive platform, by virtue of his role as its general partner. As Dr. Wu and Dr. Pan Xin are presumed to be interested in the Shares that the other is interested in Dr. Wu, Dr. Pan Xin, Shanji Investment, Minji Investment, Deji Investment, Baiji Investment and Guangji Investment constituted our Controlling Shareholder Group, holding in aggregate approximately 51.01% of the total issued Shares as of the Latest Practicable Date. For details of the Controlling Shareholder Group and their shareholding in our Company, please refer to the section headed “History, Development and Corporate Structure” in this document.

Dr. Wu is also a general partner as to 0.05% in Baiji Investment and a limited partner as to approximately 17.81% in Huaji Investment which is in turn, a general partner as to approximately 92.26% in Guangji Investment.

Dr. Pan Xin is also a limited partner as to 6.25% in Shanji Investment, as to 0.006% in Baiji Investment.

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholder Group will in aggregate be interested in approximately [REDACTED]% of the total issued Shares. Therefore, upon [REDACTED], the Controlling Shareholder Group will remain our Controlling Shareholders of our Company under the Listing Rules.

Save as disclosed above, there is no other person(s) who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), be entitled to exercise of or control the exercise of 30% or more of the voting power at the general meetings of our Company.

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INDEPENDENCE OF OUR BUSINESS

Having taken into account the following factors, our Directors are satisfied that our Group is able to operate our business independently from our Controlling Shareholders and their respective close associates upon and after the [REDACTED]:

Management Independence

The daily management and operation of the business of our Group will be the responsibility of all of our executive Directors and senior management personnels of our Company.

The Board has nine Directors comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Dr. Wu, being an executive Director, the chief executive officer and chairman of our Board, as well as Dr. Pan Xin, being a non-executive Director, are also members of the Controlling Shareholder Group. Save for Dr. Wu and Dr. Pan Xin, none of the other Directors nor other members of our senior management is a member of the Controlling Shareholder Group.

We are of the view that the Board and senior management will function independently from our Controlling Shareholders because:

- (a) 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 interest;
- (b) in case of 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, unless otherwise permitted by the Articles of Association, the interested Director(s) will abstain from voting at the relevant board meeting of our Company in respect of such transaction and will not be counted in the quorum of the relevant meetings of the Board; and
- (c) all independent non-executive Directors, namely Dr. Cheng Guohua, Dr. Zuo Zhong and Mr. Liu Wenhong, are sufficiently experienced and capable of monitoring the operations of our Group independently of our Controlling Shareholders.

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Operational Independence

Our Company has full authority and rights to make all decisions on, and has our own resources to carry out, our own business operations independently. We do not rely on our Controlling Shareholders or their associates and we have our own access to our suppliers and our clients for the provision of services as well as a team of senior management to run the business independently from our Controlling Shareholders and their respective close associates. We have our own R&D function, personnel and production facilities, and has registered the relevant intellectual property rights that are material to our business. Further, our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their associates. As of the Latest Practicable Date, our Company had sufficient number of employees who were independent from our Controlling Shareholders and their respective close associates and who were primarily recruited through both internal referrals and external sources such as campus recruitment, recruitment websites and third-party recruiters. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

In light of the above, our Directors consider that we are operationally independent from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has its own financial management system, internal control and accounting system, accounting and finance team, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

During the Track Record Period, our Group had obtained borrowings and facilities secured by personal guarantees from Dr. Wu, the executive Director, and Dr. Pan Xin, the non-executive Director. Such personal guarantee of bank loans will be released on or before [REDACTED].

Save as disclosed in this section and the section headed “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position”, our Directors confirm that as at the Latest Practicable Date, our Controlling Shareholders have not provided any other guarantee or loan to our Group, nor has any other party provided any guarantee in favour of our Group.

We completed the Pre-[REDACTED] Investments and raised funds from Pre-[REDACTED] Investors which are Independent Third Parties. For details of the Pre-[REDACTED] Investments, see the section headed “History, Development and Corporate Structure — Pre [REDACTED] Investments” in this document. Our Directors believe that our Group has sufficient capital for its

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financial needs without dependence on our Controlling Shareholders, in view of the estimated net [REDACTED] from the [REDACTED]. Our Directors also believe that, upon [REDACTED], our Group is capable of obtaining financing from external sources independently without the need of any guarantee or security provided by our Controlling Shareholders and their respective close associates after the [REDACTED], which enables our Group to maintain financial independence.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Apart from our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates were conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition or is likely to be in competition with the businesses of our Group directly or indirectly, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

In order to strengthen the corporate governance of our Company and to protect the interests of the minority Shareholders, our Company will adopt the following corporate governance measures to manage potential conflicts of interest:

- (1) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which 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;
- (2) a Director with himself/herself and/or his/her close associates having material interests will ensure full disclosure is made in respect of matters that may have conflict or potential conflict with any of the Company's interest at the meeting of our Board, shall abstain from voting on such matters and shall 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;
- (3) our Board will ensure that any event relating to potential conflict of interests shall be reported to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations of the Company;

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- (4) following the reporting of any event relating to potential conflict of interests, the Board will hold a management meeting (with the interested Directors abstaining from voting and not being counted as quorum, if required) to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any actions of precaution;
- (5) our Board should include a balanced composition with not less than one-third of independent non-executive Directors in order to ensure that our Board is able to exercise independent judgment in its decision-making process and provide independent and impartial advice to our Shareholders;
- (6) 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;
- (7) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the connected transaction(s) at the cost of our Company;
- (8) our Company has established internal control mechanisms to identify connected transactions and shall comply with the applicable Listing Rules if enters into any connected transaction upon [REDACTED]; and
- (9) our Company has appointed Guotai Junan Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

In addition, any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.