RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, (i) Mr. Dong directly held 27.04% of our total issued Shares and, as the general partner of each of Yuyi Enterprise Management, Feihe Enterprise Management and Yunbai Enterprise Management, was entitled to exercise the voting rights attached to an aggregate of 3.07% of our Shares held by such entities; (ii) Dong Zhu, the son of Mr. Dong, directly held 9.22% of our total issued Shares; (iii) Ms. Wang, the spouse of Mr. Dong, directly held 2.63% of our total issued Shares; and (iv) Mr. Dong and Dong Zhu, through Shanghai Xintian, which is owned as to 50.0% by Mr. Dong and 50.0% by Dong Zhu, were interested in approximately 28.04% of the total issued share capital of Xintian Pharmaceutical. Xintian Pharmaceutical directly held 15.46% of our total issued Shares. Pursuant to the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》) (the "**SZSE Listing Rules**") where Xintian Pharmaceutical is listed, an "controlling shareholder (under PRC Company law)" refers to an individual or entity that can control a company by way of investment relationship, contracts or other arrangements. Shanghai Xintian held approximately 28.04% equity interest in Xintian Pharmaceutical as of the Latest Practicable Date and is deemed as the controlling shareholder of Xintian Pharmaceutical under the SZSE Listing Rules. Consequently, Mr. Dong, Dong Zhu, Ms. Wang, Shanghai Xintian, Yuyi Enterprise Management, Feihe Enterprise Management, Yunbai Enterprise Management, and Xintian Pharmaceutical, constitute a group of our Controlling Shareholders, collectively entitled to exercise the voting rights attached to approximately 57.42% of our total issued share capital as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Controlling Shareholders will be entitled to exercise the voting rights attached to approximately [REDACTED]% of our total issued share capital.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Established in 1995 and listed on the Shenzhen Stock Exchange in 2017 (stock code: 002873), Xintian Pharmaceutical is principally engaged in R&D, manufacturing and sales of traditional Chinese medicines. Shanghai Xintian is a holding platform.

Yuyi Enterprise Management, Feihe Enterprise Management, Yunbai Enterprise Management, being our incentive platforms, are also our Controlling Shareholders as the general partner of each of them is Mr. Dong. For further details, please see "History and Corporate Structure — Incentive Platforms." Mr. Dong and Ms. Wang are spouses. For background of Mr. Dong and Dong Zhu, please see "Directors and Senior Management" in this document.

DELINEATION OF BUSINESS

There is a clear delineation between the business of Xintian Pharmaceutical (the "**Excluded Business**") and our business. The table below sets forth the principal businesses of our Group and the Xintian Group:

Our Group:	R&D, manufacturing, and commercialization of small-molecule chemical drugs, focusing on a number of therapeutic areas such as immunology and inflammation, pain management, oncology, and other chronic disorders.
Xintian Pharmaceutical:	R&D, manufacturing and sales of traditional Chinese medicines, focusing on a number of therapeutic areas such as gynecology, genitourinary, and heat-clearing and detoxifying (清熱解毒, a traditional chinese medicine concept).

We believe that there is clear delineation between our Group and Xintian Pharmaceutical on the following basis:

Xintian Pharmaceutical is primarily engaged in the research, development, manufacturing and sales of traditional Chinese medicine products. The key products of Xintian Pharmaceutical include Heyan Kuntai Capsule (和颜®坤泰膠囊) Kunlishu Sophorae Flavescentis Gel (坤立舒®苦參凝膠), and Ningmitai Capsule (宁泌泰®寧泌泰膠囊), which are all classified under the CFDA/NMPA Chinese medicine catalogue. Its product portfolio is principally focused on gynecological and urinary system diseases and also extends to a broad range of other therapeutic areas, including oral diseases, breast and thyroid diseases, anti-cold treatments, heat-clearing medicines, blood-tonifying medicines, cardiovascular diseases and anti-tumor treatments. Such products constitute the core business of Xintian Pharmaceutical and are supported by its strong historical revenue contribution.

Compared to our Group, the key products of our Group predominantly are small-molecule chemical drugs with single active pharmaceutical ingredients, which are developed based on modern pharmacological principles and targeted at clearly defined indications, including immunology and inflammation, oncology, and other chronic conditions. The key marketed products of our Group include Xiweina (希为纳®), Zuoyu (佐愈®), Kangmairui (康迈瑞®), Li'erban (利尔班®), and Dinuo'an (蒂诺安®). The respective products of our Group and Xintian Pharmaceutical are indicated for different diseases, and their therapeutic applications do not overlap.

Notwithstanding that Xintian Pharmaceutical and our Group have certain overlapping product presence in the broad gynecology and andrology fields, the respective products differ materially in terms of drug category, composition, therapeutic mechanism, regulatory classification and clinical application scenarios.

Company	Products	Targeted illness	Indication	CFDA classification
Xintian Pharmaceutical.	Heyan Kuntai Capsule (和颜®坤泰膠囊)	Menopausal syndrome	Used for menopausal syndrome, with symptoms including hot flushes, spontaneous sweating, night sweats, insomnia, dizziness, tinnitus, soreness of the waist and knees and ovarian function decline	Chinese medicine
	Ningmitai Capsule (宁泌泰®寧泌泰膠囊)	Urinary tract diseases	Used for stranguria caused by damp-heat accumulation, including urinary tract infection and chronic prostatitis	Chinese medicine
	Kunlishu Sophorae Flavescentis Gel (坤立舒®苦參凝膠)	Gynecological inflammatory diseases	Antibacterial and anti-inflammatory. Used for cervical erosion, abnormal vaginal discharge, trichomonas vaginitis and fungal vaginitis	Chinese medicine
Our Group	Xiaoxiong (枭雄®)	Erectile dysfunction (ED)	Used for the treatment of erectile dysfunction	Small-molecule chemical drug
	Dinuo'an (蒂诺安®)	Endometriosis	Used for the treatment of endometriosis	Small-molecule chemical drug
	Qianweitai (前卫泰®)	Benign prostatic hyperplasia (BPH)	Used for the treatment of signs and symptoms associated with benign prostatic hyperplasia	Small-molecule chemical drug

As illustrated above, the products of Xintian Pharmaceutical are generally designed for syndrome-based treatment and long-term regulation, whereas the products of our Group are prescribed for specific diseases with defined diagnostic criteria and treatment objectives. In addition, the key licences, permits and product registrations (including the drug production licence, the product manufacturing permit, and drug registration) are also issued in their respective names and are independent of each other. Accordingly, our Directors are of the view that the products of

Xintian Pharmaceutical and those of our Group target different patient populations and form different market segmentation, and therefore there is no competition between the products of Xintian Pharmaceutical and those of our Group.

Based on the above, we are of the view that the products of Xintian Pharmaceutical and our Group are clearly distinguishable in terms of product focus, technological basis, therapeutic indications, market positioning, and independent regulatory approvals and operations.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the [REDACTED].

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operation independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED].

During the Track Record Period, we conducted several transactions with our Controlling Shareholders and their associates, and such transactions are expected to continue upon the [REDACTED] and will constitute continuing connected transactions under Chapter 14A of the Listing Rules. For more details, please refer to the section headed "Connected Transactions" in this document. However, having regard to the nature, scope and transaction amounts of such continuing connected transactions, our Directors are of the view that such transactions are not significant to our Group and do not affect our operational independence, as (i) such transactions are conducted in the ordinary and usual course of business, on normal commercial terms and are non-exclusive in nature; (ii) the relevant products and services may be sourced from or provided by independent third parties on comparable terms, and we are not reliant on our Controlling Shareholders or their associates for our core operations. We are able to switch to independent counterparties without material disruption to our operations; and (iii) our Group maintains independent management, decision-making, financial, procurement and operational systems, and the pricing and terms of such transactions are subject to appropriate internal control procedures and Audit Committee oversight.

Accordingly, our Directors consider that the continuing connected transactions do not give rise to any undue reliance on our Controlling Shareholders and do not impair the independence of our Group.

Research and Development

We have registered our own intellectual property rights relating to relevant technologies for our businesses, and holds all of the relevant material licenses and qualifications required for conducting our Group's business separately and independently from our Controlling Shareholders and their respective close associates.

We have our own R&D team covering all key functions from clinical development to new drug registration, which is independent from the R&D team of Xintian Pharmaceutical. As of December 31, 2025, our R&D team comprised 256 members, who are all full-time employees of our Group and are not holding any position in our Controlling Shareholders and their respective close associates.

Procurement

We are able to procure raw materials independently and to negotiate and enter into procurement agreements with raw material suppliers separate from Xintian Pharmaceutical. Our Group and Xintian Group have been and will be carrying out their respective selection of suppliers independently in accordance with their respective supplier management system.

For the years ended December 31, 2023, 2024 and 2025, the total transaction amount with the top 10 suppliers of the Group represented 42.5%, 44.5% and 44.0% of the total procurement amounts of the Group. During the Track Record Period, there were no overlapping parties between the top 10 suppliers of the Group and the top 10 suppliers of Xintian Group.

Sales and Marketing

For the years ended December 31, 2023, 2024 and 2025, the total transaction amount with the top 10 customers of the Group represented 87.4%, 84.0% and 79.2% of the total transaction amounts of the Group. During the Track Record Period, there were seven overlapping parties between the top 10 customers of the Group and the top 10 customers of Xintian Pharmaceutical. The existence of such overlapping distributors can be attributed to the following reasons: (i) Xintian Pharmaceutical has a well-established commercial presence in the PRC's pharmaceutical market, supported by an extensive distribution network nationwide. Given the strength of this robust network, it is neither commercially viable nor necessary for our Group to exclude these distributors solely based on their existing relationships with Xintian Pharmaceutical. Excluding these distributors would unnecessarily limit market access and weaken competitive positioning in key regions, which would not serve the interests of our Group or its Shareholders. (ii) According to Frost & Sullivan, the number of distributors in the PRC that meet the stringent qualifications necessary for pharmaceutical distribution is relatively limited. Many of the overlapping distributors engaged by different pharmaceutical companies are leading pharmaceutical distribution groups with established market positions. Frost & Sullivan confirms that it is a common practice within the pharmaceutical industry, both for innovation-driven pharmaceutical companies and traditional pharmaceutical companies, to share distributors when few possess the necessary scale and qualifications.

Notwithstanding the existence of the overlapping distributors and their revenue contribution to our Group, Xintian Pharmaceutical and our Group entered into distribution agreements with their distributors independently. The distribution agreements of Xintian Pharmaceutical and our Group are not bundled together, and neither Xintian Pharmaceutical nor our Group will generate any benefits by virtue of the sales of the other to the overlapping distributors. Both Xintian Pharmaceutical and our Group have the autonomy to negotiate sales terms independently with overlapping distributors, without any restrictions or interference from the other party. We have been developing, and will continue to develop our own distribution channel independent of that of Xintian Pharmaceutical upon [REDACTED].

Administrative Independence

We have an independent R&D center, full-time management team and team of staff to carry out our own administration and operation independent of our Controlling Shareholders. Upon [REDACTED], the support services comprising accounting, administration, corporate secretarial, compliance and human resource management will also continue to be handled by a team of staff employed directly by our Group and are separated from our Controlling Shareholders.

Management Independence

Our Board is comprised of eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Except for Mr. Dong, our Group and Xintian Pharmaceutical have their respective directors and management teams independent of each other. Mr. Dong currently serves as the chairman and general manager of Xintian Pharmaceutical. As Mr. Dong only holds a directorship of our Company with non-executive nature, he is not involved in day-to-day management of affairs and operations of our Group.

Our Directors are of the view that each of Xintian Pharmaceutical and our Group will be managed and will operate independently of each other in the interests of their respective shareholders as a whole on the following basis: (i) none of our executive Directors and senior management members, who are responsible for the day-to-day management of our Group's business, has any ongoing managerial role with Xintian Pharmaceutical; (ii) save for Mr. Dong who is our non-executive Director, none of the Directors or senior management members of our Company holds positions within Xintian Pharmaceutical, and vice versa; (iii) should there be a conflict of interest or a connected transaction between our Group and members of Xintian Pharmaceutical, the relevant common directors, if any, will abstain from voting on, and will not be counted in the quorum for, the relevant board resolution(s) of our Company and relevant member(s) of Xintian Pharmaceutical; and (iv) our Company will adopt corporate governance policies, including but not limited to, rules relating to the procedure for Board meetings and decision-making protocols on connected transactions, setting out circumstances that require the relevant common directors to abstain from voting on, and not to be counted in the quorum for, the relevant board resolutions.

Financial Independence

We have established our own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates.

As of the Latest Practicable Date, save for certain guarantees provided by our Controlling Shareholder, Mr. Dong, Dong Zhu, and Shanghai Xintian in favour of the Group, there was no outstanding loan, advance or balance of a non-trade nature due to or from, nor any pledge provided by, our Controlling Shareholders or their respective close associates. The aforesaid guarantees are expected to be fully released and discharged prior to the [REDACTED]. We do not expect to rely on our Controlling Shareholders and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the net [REDACTED] from the [REDACTED]. For our historical equity financing activities, please refer to the paragraphs headed "History and Corporate Structure — Pre-[REDACTED] Investments" in this document.

Based on the above, our Directors believe that we do not place undue reliance on our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Upon [REDACTED], we will comply with the provisions of the Corporate Governance Code set forth in Appendix C1 to the Listing Rules, which sets out the principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in the protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interest between our Group and Controlling Shareholders: (i) where a Board meeting is held for the matters in which any Directors has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting; (ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, the relevant member in our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting; (iii) 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 associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders' approval requirements (if applicable) under the Listing Rules; (iv) our Board will consist of a balanced composition of executive and non-executive Directors, including 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. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing experienced and professional advice to protect the interests of our minority Shareholders; (v) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and any Controlling Shareholder and provide impartial and professional advice to protect the interests of our minority Shareholders; (vi) our Controlling Shareholders will provide our independent non-executive Directors with all relevant financial, operational and market and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review; (vii) our Company shall disclose the decisions of the independent non-executive Directors either in its interim and/or annual reports or by way of announcements as required by the Listing Rules; (viii) our Directors shall reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense; (ix) we have established our Audit Committee, Remuneration and Appraisal Committee, and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules; (x) 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; (xi) we have appointed Somerley 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 corporate governance, Directors' duties and internal controls; (xii) in accordance with the Corporate Governance Code, our Company will conduct a formal evaluation of the performance of the Board at least once every two years. The Board will access, among others, (a) the effectiveness of the Board in identifying, managing and mitigating conflicts of interest, in particular those involving our Controlling Shareholders; (b) the independence, objectivity and active contribution of each independent non-executive Director in safeguarding the interests of minority Shareholders; and (c) the functioning and effectiveness of the Board committees, including the Audit Committee's oversight of connected transactions. The findings of the Board performance evaluation will be reported to the Board and, where appropriate, disclosed in the Corporate Governance Report in our annual report; and (xiii) our Company will establish and maintain a whistleblowing mechanism as part of its internal control and corporate governance framework, under which Shareholders and employees may confidentially raise concerns, including matters relating to potential conflicts of interest, which will be reviewed by the Audit Committee.

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 to protect minority Shareholders' rights after the [REDACTED].