
RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Dr. Fang, our founder, the chairman of our Board, the chief scientist and an executive Director of our Company, controlled the voting rights of approximately 33.60% of the issued share capital of our Company, comprising (a) 18.03% held directly by Dr. Fang; and (b) 15.57% held indirectly through Suzhou Zhongkang, Shanghai Huankang, Suzhou Zekang, Suzhou Chenkang and Shanghai Chenkang (the “**Controlled Entities**”) as detailed below:

- (i) Suzhou Zhongkang, a limited partnership in which Dr. Fang acts as the general partner, holding approximately 5.55% of the total issued share capital of our Company;
- (ii) Shanghai Huankang, a limited partnership in which Dr. Fang acts as the general partner, holding approximately 4.97% of the total issued share capital of our Company;
- (iii) Suzhou Zekang (an Employee Incentive Platform), a limited partnership in which Dr. Fang acts as the general partner, holding approximately 3.17% of the total issued share capital of our Company; and
- (iv) Suzhou Chenkang, a limited company wholly owned by Shanghai Chenkang, which is in turn controlled by Dr. Fang and his spouse, Ms. Chen, as to 90.00% and 10.00%, respectively, holding approximately 1.89% of the total issued share capital of our Company.

For information of each of the Controlled Entities, see “History, Development and Corporate Structure” in this Document.

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Dr. Fang, directly and indirectly through the Controlled Entities, together with Ms. Chen, indirectly through Shanghai Chenkang and Suzhou Chenkang, will control an aggregate of approximately [REDACTED]% of the voting rights in our Company. Accordingly, Dr. Fang, Ms. Chen and the Controlled Entities will constitute our Single Largest Group of Shareholders after the [REDACTED].

INTERESTS OF OUR SINGLE LARGEST GROUP OF SHAREHOLDERS IN OTHER BUSINESSES

Each of our Single Largest Group of Shareholders confirms that he/she/it does 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 businesses, and which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Our Directors consider that we are capable of carrying out our business independently from our Single Largest Group of Shareholders and their respective close associates after the [REDACTED], taking into account the following factors:

Management Independence

Our business has been managed and conducted by our Board and senior management. Our Board comprises three executive Directors, one non-executive Directors and three independent non-executive Directors, and we also have six senior management members (of whom one is an executive Director). Each of our Directors and senior management possesses relevant management, financial or industry-

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related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management” in this Document.

Our Directors consider that we are able to carry on our business independently from our Single Largest Group of Shareholders from a management perspective for the following reasons:

- each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- three out of our seven Directors are independent non-executive Directors who have extensive experience in different professions. They have been providing independent oversight and will continue to independently monitor the formulation and implementation of major decisions of our Group based on their skills and qualification and related professional experience. Members of the senior management of our Company have been with our Group in management capacity for a number of years, and therefore, have substantial working experience in the industry we are engaged in, and their familiarity with our Group’s business and with the competitive landscape we are in will therefore enable them to make business decisions that are in the best interests of our Group;
- we have established clear reporting lines among the management team of our Company and between our management team and our Board, and our management team ultimately reports to the executive Directors, who are responsible for reporting to our Board. Our Board supervises and monitors the performance of our Company’s management team generally through receiving regular reports from our executive Directors, attending regular meetings and other ad hoc meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of our management team, as well as through the regular updates provided to our Directors of our operational and financial information; and
- the Articles of Association has also included relevant provisions to manage conflict of interest, pursuant to which our Directors are prohibited from voting in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting.

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.

Operational Independence

We do not rely on our Single Largest Group of Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or our company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Single Largest Group of Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources. We also have full powers to make all decisions regarding, and to carry out, our own business operations independently from our Single Largest Group of Shareholders.

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We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the foregoing, our Directors believe that we are able to operate independently of our Single Largest Group of Shareholders and their close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on our Single Largest Group of 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, among others, operating activities, bank loans, as well as the [REDACTED] from the [REDACTED].

As of the Latest Practicable Date, there were no outstanding loans due to or from our Single Largest Group of Shareholders or their close associates, nor any outstanding pledges or guarantees provided for our benefit by our Single Largest Group of Shareholders or their close associates.

Based on the above, our Directors believe that we have the ability to operate independently of our Single Largest Group of Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from, and do not place undue reliance on, our Single Largest Group of Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Under the Articles of Association, extraordinary general meetings of our Company may be convened on the requisition of any one or more members holding, as of the date of deposit of the requisition, in aggregate not less than one-tenth of the issued shares of our Company. In addition, pursuant to the Shareholder communication policy to be adopted by our Company upon [REDACTED], Shareholders are encouraged to put governance related matters to our Directors and to our Company directly in writing. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Single Largest Group of Shareholders:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Single Largest Group of Shareholders or any of their associates has a material interest, the Single Largest Group of Shareholders or associates will not vote on the relevant resolutions;
- (ii) our Company has established internal control mechanisms to identify connected transactions;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Single Largest Group of Shareholders and provide impartial advice to protect the interests of our minority Shareholders. Our Single Largest Group of Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other information as required by the independent non-executive Directors for the purpose of their annual review. Our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

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- (iv) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expense;
- (v) we have appointed Red Solar Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (vi) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Single Largest Group of Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].