OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately 62.98% by Lhasa Ailike, which was wholly owned by Dr. Xie, and as to approximately 4.25% by Lhasa Lianghaoyuan, which was controlled by Ms. Li Hanyuan (the spouse of Dr. Xie) and Dr. Xie as to 90% and 10%. Dr. Xie also directly held approximately 3.63% of the issued capital of our Company. As such, Lhasa Ailike, Lhasa Lianghaoyuan, Dr. Xie and Ms. Li Hanyuan collectively controlled approximately 70.86% of the Shares in our Company and therefore constitute a group of Controlling Shareholders of our Company. See the sections headed "History, Development and Corporate Structure" and "Substantial Shareholders" for further details of our group of Controlling Shareholders and their relationship.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), Lhasa Ailike, Lhasa Lianghaoyuan, Dr. Xie and Ms. Li Hanyuan will, directly and indirectly, control approximately **[REDACTED]**% of the issued share capital of our Company. Accordingly, Lhasa Ailike, Lhasa Lianghaoyuan, Dr. Xie and Ms. Li Hanyuan will remain as our group of Controlling Shareholders upon the **[REDACTED]**.

CLEAR BUSINESS DELINEATION

Our Business

We are an innovative biologics company focused on the R&D, manufacturing and commercialization of therapeutic antibodies, recombinant proteins and vaccines. Since our inception in 2002, we have pursued in-house R&D and established an end-to-end development platform supporting drug discovery, clinical development, manufacturing scale-up and commercialization. Leveraging our integrated technology platform, we have built a product pipeline covering oncology, autoimmunity, ophthalmology, hemophilia and vaccine.

The Business of our Controlling Shareholders

Each of Lhasa Ailike and Lhasa Lianghaoyuan is an investment holding company incorporated under the laws of the PRC. Apart from the business of our Group, our Controlling Shareholders also control and invest in company, namely Sino Biological Inc., which is principally engaged in research reagent-related business. We have entered into certain transactions in the ordinary and normal course of our business with certain Controlling Shareholders and/or their associates. See the section headed "Connected Transactions." The principal businesses of such investments are separate and clearly delineated from the principal businesses of our Group.

Each of our Controlling Shareholders has confirmed that it/he/she does not have any interests in any business (apart from the business of our Group) that competes or is likely to compete, directly or indirectly, with our principal business, which is required to be disclosed under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

In connection with the A-Share Listing, each of Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan and Lhasa Lianghaoyuan (being actual controller and parties acting in concert of our Company under applicable A-share listing rules) has executed a non-competition undertaking on September 8, 2019, pursuant to which each of Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan and Lhasa Lianghaoyuan undertakes to, among others:

(a) neither Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan and Lhasa Lianghaoyuan nor their controlled entities had, within or outside the PRC, directly or indirectly engaged in any business that competes with the main business of the Group in any manner, nor had they, in any manner, provided any financial, business or management assistance to, or disclosed any technical information, business operations, sales channels or other trade secrets to, any company, enterprise or other institution or organization that competes with any member of the Group;

(b) neither Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan and Lhasa Lianghaoyuan nor their controlled entities shall, within or outside the PRC, directly or indirectly engage in any business that competes with the main business of the Group in any manner, nor will they, in any manner, provide any financial, business or management assistance to, or disclose any technical information, business operations, sales channels or other trade secrets to, any company, enterprise or other institution or organization that competes with any member of the Group. If any member of the Group further expands its scope of principal business, neither Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan and Lhasa Lianghaoyuan nor any company or enterprise controlled by them shall compete with such expanded principal business of any member of the Group;

(c) if Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan and Lhasa Lianghaoyuan or any company or enterprise controlled by them competes with the principal business of any member of the Group, they shall, by lawful means that are beneficial to the Group, avoid such competition, including but not limited to ceasing the operation of the competing business, incorporating the competing business into the business of the Company, or transferring the competing business to an unrelated third party;

(d) Dr. Xie, as the actual controller of the Company, further undertakes that his close relatives shall be deemed to be subject to, and shall comply with, the above undertakings as if they were himself;

(e) if any of Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan or Lhasa Lianghaoyuan breaches any of the above undertakings, he/she/it shall indemnify the Company and the other shareholders of the Company for all economic losses suffered as a result in accordance with the applicable laws; and

(f) during the period in which Dr. Xie, Lhasa Ailike, Ms. Li Hanyuan or Lhasa Lianghaoyuan act as actual controller/controlling shareholder/parties acting in concert of the Company, the above undertakings shall be binding upon themselves.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates upon **[REDACTED]**.

Management Independence

Our business is managed and operated by our Board and senior management. Our Directors consider that our Board and senior management team are able to manage our business independently from the Controlling Shareholders for the following reasons:

(a) other than Dr. Xie, our executive Directors and all our senior management members do not hold any management position and/or directorship in the Controlling Shareholders or its close associates as of the Latest Practicable Date. Dr. Xie is not involved in the day-to-day management and operations of business of Sino Biological Inc. and is only involved in decision-makings as member of the board of directors of such company. Therefore, Dr. Xie does not expect that his directorship in the close associate of our Controlling Shareholders will take up a substantial amount of his time, and he will be able to devote sufficient time to the management of our Company;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors and Senior Management" in this document;

(c) each Director 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 interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director, and shall abstain from voting and shall not be counted towards the quorum for the voting;

(d) 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, (i) our independent non-executive Directors are not associated with our Controlling Shareholders or each of their close associates; (ii) our independent non-executive Directors account for more than one-third of the Board; and (iii) 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 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

(e) we will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage potential conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. For details, please see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our daily operations. We have our own organizational structure with self-governing departments specializing in various aspects in relation to our business development, including but not limited to sales and marketing, financing, human resources, administration, internal audit and legal and compliance which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our businesses.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities, intellectual property rights and approvals and permits from the relevant regulatory authorities necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

We entered into certain continuing connected transactions with our Controlling Shareholders and/or their respective associates. See section headed "Connected Transactions" for more details. Considering that the amounts of the relevant transactions during the Track Record Period are not significant to our Group, all such transactions will be conducted on arm's length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules, and the pricing policy of our Group and our connected persons will not be prejudicial to the interests of any of the parties, our Directors believe that such transactions will not affect the operational independence of our Group as a whole.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

During the Track Record Period, certain of our Group's banking facilities and other borrowings ("**Guaranteed Loans**") were guaranteed by Dr. Xie and/or his close associates ("**CP Guarantors**") by way of personal or corporate guarantees ("**CP Guarantees**"). Our Directors confirm that no consideration was payable or will be payable to the CP Guarantors. As of the Latest Practicable Date, the aggregate borrowings, banking facilities and lease liabilities due to the Independent Third Party lenders under the Guaranteed Loans is approximately RMB4,621.92 million. The Company had been in negotiation with the lenders of the Guaranteed Loans and other potential Independent Third Party lenders for refinancing arrangement and potential options to release or replace the CP Guarantees. All CP Guarantees will be fully released or replaced upon the **[REDACTED]**. Save for the above, as of the Latest Practicable Date, we did not have any outstanding loans or non-trade balances granted, guaranteed or pledged by any our Controlling Shareholders to us.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates upon **[REDACTED]**.

CORPORATE GOVERNANCE

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

(a) where a Shareholders' meeting is held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders 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 our Controlling Shareholders, our Controlling Shareholders 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 C1 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 Ignite Capital (Asia Pacific) Limited as our compliance adviser, 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 the above, our Directors are satisfied that the corporate governance measures are sufficient to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the **[REDACTED]**.