

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

Immediately following the completion of the [REDACTED], Sanaron will be interested in [REDACTED] of our total number of issued Shares (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be allotted and issued under the ESOPs), and will be our single largest Shareholder.

Sanaron is owned as to 45.12% by Dr. Wu, the chairman of our Board, executive Director and chief executive officer, and 54.88% by Radiant Harbour. The JW Star Trust is a discretionary trust established under the laws of Jersey by Dr. Wu for his succession planning and for the benefit of his family members, and of which Dr. Wu is the settlor, and Ms. Jin, the spouse of Dr. Wu, is the power holder, and Trident Trust Company (HK) Limited is the trustee. Radiant Harbour is a special purpose vehicle incorporated by the trustee for the purpose of holding the property of the JW Star Trust.

Trident Trust Company (HK) Limited is an independent licensed trust or company service provider (TCSP) in Hong Kong and, as the trustee of the JW Star Trust, is bound by fiduciary duty to act in the best interests of the beneficiaries of the trust and may only deal with the trust property it holds in accordance with the terms of the JW Star Trust for the specific purposes of the trust. Under the terms of the JW Star Trust, Ms. Jin, as the power holder, may at any time give directions in relation to the investment, retention, management or exercise of any rights of the trust property, including the exercise of the voting rights pertaining to the Shares held by Sanaron, with which the trustee (and Radiant Harbour) shall be obliged to comply, and Dr. Wu, as protector of the JW Star Trust, provides oversight of the actions of the trustee and is entitled to appoint a new trustee in the case of any wrongdoing or mis-management. Furthermore, Ms. Jin is the sole director of Sanaron and is entitled to give instructions directly to Sanaron in relation to the exercise of the voting rights pertaining to the Shares held by it. The JW Trust itself is not a legal entity, and neither Trident Trust Company (HK) Limited nor Radiant Harbour Ventures Limited have sole discretion in relation to the exercise of the voting rights pertaining to the Shares held by Sanaron upon the [REDACTED].

Accordingly, Sanaron, Dr. Wu and Ms. Jin will be our Single Largest Group of Shareholders with the largest voting power at our general meeting after the [REDACTED].

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

We believe that our Group is capable of carrying on our business independently from our Single Largest Group of Shareholders and their respective close associates (other than our Group) after the [REDACTED].

Management Independence

Our Board will comprise one executive Director, one non-executive Director, and three independent non-executive Directors upon [REDACTED]. Our senior management team comprises five members. None of our Directors or members of our senior management team (other than Dr. Wu) holds any position in our Single Largest Group of Shareholders or their respective close associates.

Our daily management and operations are carried out by our executive Director and 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.

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 any potential conflict of interest arising out of any contract or arrangement or any other proposal in which our Directors or any of his/her close associates has any material interest, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings in respect of such transactions and shall abstain from voting on (nor shall be counted in the quorum in relation to) any resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates is materially interested in. See “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — Summary of the Constitution of the Company.”

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We have appointed three independent non-executive Directors with extensive knowledge and experience in their respective areas of expertise and not associated with our Single Largest Group of Shareholders or their respective close associates to ensure that the decision of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. In addition, we have adopted a series of corporate governance measures to manage conflicts of interests, if any, between our Group and our Single Largest Group of Shareholders which would support our independent management. See “—Corporate Governance Measures” in this section.

Based on the above, our Directors are of the view that our Group is capable of managing our business independently from our Single Largest Group of Shareholders and their respective close associates following the completion of the [REDACTED].

Operational Independence

Although our Single Largest Group of Shareholders will be the group of Shareholders with the largest voting power at our general meeting after the [REDACTED], we have full rights to make all decisions on and to carry out our own business operations independently. Our Company, through our subsidiaries, holds the relevant licenses, approvals and permits from the relevant regulatory authorities that are material to our operations. We are in possession of all relevant copyrights, trademarks and other intellectual properties necessary to carry on and operate our business. We have sufficient capital, facilities and employees to operate our business independently from our Single Largest Group of Shareholders and their respective close associates. We also have independent access to our customers and suppliers and an independent management team to operate our business.

Based on the above, our Directors are of the view that our Group is capable to operate independently from our Single Largest Group of Shareholders and their respective close associates following the completion of the [REDACTED].

Financial Independence

We have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. As of the Latest Practicable Date, our Group did not have any outstanding loans, advances or balances due to or from our Single Largest Group of Shareholders or their respective close associates.

Based on the above, our Directors are of the view that our Group is capable to maintain financial independence from our Single Largest Group of Shareholders and their respective close associates following the completion of the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to maintain good corporate governance standards, ensure operational continuity and avoid potential conflict of interests between our Group and our Single Largest Group of Shareholders:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of our Board in respect of any contract or arrangement or any other proposal whatsoever in which he or she or any of his or her close associates has any material interest, and if he or she shall do so his or her vote shall not be counted (nor is he or she to be counted in the quorum for the resolution);

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- (b) a Director shall, if his or her interest in any contract or arrangement is material, declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he or she is to be regarded as interested in any contracts of a specified description which may subsequently be made by our Company;
- (c) we are committed that our Board should include a balanced composition of executive Director, non-executive Director and independent non-executive Directors. We have appointed 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 and Senior Management — Board of Directors — Independent non-executive Directors”;
- (d) at least one of the independent non-executive Directors has the relevant industry experience in which our Group operates and has the appropriate academic qualifications, which will enable him/her to obtain a thorough understanding of the Group’s operations and to assist the other Directors (including the independent non-executive Directors) in making informed assessment and decisions on matters placed before them at Board meetings;
- (e) the Directors shall be provided with adequate information in a timely manner and have separate and independent access to our senior management to enable them to make informed decisions on matters placed before them at Board meetings. They are also entitled to make further enquiries with our Company where necessary;
- (f) the Board has established procedure to enable the Directors, upon reasonable request, to seek the advice of independent professionals, such as technical experts and financial advisors, in appropriate circumstances, at the Group’s expense, to assist them perform their duties;
- (g) our Nomination Committee will assess each Director’s time commitment and contribution to the Board, as well as the Director’s ability to discharge his or her responsibilities effectively, and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, on an annual basis;
- (h) we have appointed Altus Capital Limited as our compliance advisor, 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; and
- (i) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Upon the [REDACTED], if our Group enters into connected transactions with our Single Largest Group of Shareholder or their respective close associates, our Company will comply with the applicable requirements under the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage potential conflict of interests between our Group and our Single Largest Group of Shareholders, and to protect our minority Shareholders’ rights after the [REDACTED].