
RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the date of this document, Dr. Yang (our chairperson of the Board, executive Director and chief executive officer), Dr. Hao (our executive Director and chief scientific officer) and Zhengxiang Jiwan (our Employee Incentive Platform) are parties acting in concert. Dr. Yang and Dr. Hao directly hold approximately 10.05% and 8.38% of our total share capital, respectively. In addition, Dr. Yang is the general partner of Zhengxiang Jiwan, which holds 3.71% of our total share capital. Accordingly, Dr. Yang, Dr. Hao and Zhengxiang Jiwan are collectively entitled to exercise approximately 22.14% of the voting rights in our Company.

Upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Dr. Yang, Dr. Hao, Zhengxiang Jiwan will be collectively entitled to exercise approximately [REDACTED]% of the voting rights in our Company, and constitute the Single Largest Group of Shareholders.

For details of the concert party arrangement, see “History and Corporate Structure — Acting In Concert.” For details of the background of Dr. Yang and Dr. Hao, see “Directors and Senior Management.”

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Single Largest Group of Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and overseen by the Board and senior management. Our Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management.” We believe that our Directors and members of the senior management are able to function independently from our Single Largest Group of Shareholders and their respective close associates for the following reasons:

- (i) our Directors are aware of their fiduciary duties, which require them to act in the interests of our Company and all our Shareholders as a whole and avoid any conflict between their duties and their personal interests;
- (ii) our daily operations are managed by our executive Directors and senior management team, all of whom have substantial industry experience, enabling them to make impartial and sound business decisions beneficial to our Group;
- (iii) our Board acts collectively by majority vote in accordance with our Articles of Association and applicable laws and regulations, and no single Director is able to make any decisions unless authorized by the Board;
- (iv) our Board maintains a balanced composition of executive, non-executive and independent non-executive Directors, ensuring independent decision-making. Our independent non-executive Directors account for more than one-third of the Board, and do not and will not take up any position with our Single Largest Group of Shareholders. All independent non-executive Directors are independent from our Single Largest Group of Shareholders and possess the requisite industry knowledge and experience. All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules, and certain matters must be referred to them for review, ensuring that Board decisions are made only after the due consideration of independent and impartial opinions; and

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- (v) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective close associate, any interested Director is required to declare the nature of such interests, abstain from voting on the relevant resolutions, and be excluded from the quorum.

Operational Independence

We possess all requisite technologies, licenses, and intellectual properties related to our Group’s business, as well as all requisite qualifications and approvals necessary for conducting our business. Currently, we conduct our Group’s business independently, with the authority to make operational decisions and implement them independently. We have sufficient capital, facilities, technology, equipment and employees to operate our business independently from our Single Largest Group of Shareholders. We also have independent access to our customers and suppliers and an independent management team to handle our day-to-day operations.

Financial Independence

Our Company has established its 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 Single Largest Group of Shareholders and their respective close associates. We have also established a sound and independent financial system. Our Company makes financial decisions and determines the use of funds according to our own business needs. We maintain separate bank accounts and tax registrations, and we settle tax payments using our own funds. We do not share any bank accounts with our Single Largest Group of Shareholders.

As of the Latest Practicable Date, there were no outstanding loans, advances and balances due to and from and guarantees provided by our Single Largest Group of Shareholders and/or their close associates. 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 operating activities, equity financing, bank loans as well as the [REDACTED] from the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. Upon the [REDACTED], we will comply with the provisions of the Corporate Governance Code. We would put in place the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Group of Shareholders:

- (i) where a Board meeting is held for the matters in which any Director 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 held for considering proposed transactions in which any member of our Single Largest Group of Shareholders or any of their associates has a material interest, such member shall abstain from voting and shall not be counted in the quorum for 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 any member of our Single Largest Group of Shareholders or any of their associates, our Company will comply with the relevant requirements of the Listing Rules;

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- (iv) our Board composition includes not less than one-third of independent non-executive Directors, to ensure independent decision-making. 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) we have established the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules;
- (vi) where the advice from an independent professional, such as a financial or legal adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professionals will be made at our Company’s expenses; and
- (vii) we have appointed First Shanghai Capital Limited as our Compliance Advisor pursuant to the Rule 3A.19 of the Listing Rules to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to Directors’ duties and internal controls.