
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Zhang, together with Dr. Wang and Ms. Wang, who are parties acting in concert with Dr. Zhang (together known as the “Concerted Parties”), hold approximately 75.585% of the shares of GS Corp (which is owned as to approximately 40.59% by Dr. Zhang, 23.235% by Dr. Wang and 11.76% by Ms. Wang) and GS Corp owned approximately 75.71% of the issued share capital of GS Cayman which in turn owned the entire issued share capital of our Company. Therefore, Dr. Zhang, the Concerted Parties, GS Corp and GS Cayman are our Controlling Shareholders. As part of the [REDACTED] Reorganization, GS Cayman will not remain as our Controlling Shareholder after [REDACTED].

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and the options that have been or may be granted under the Share Option Schemes), Dr. Zhang will hold approximately [REDACTED]% of our total issued share capital indirectly through GS Corp (which is owned as to approximately 40.59% by Dr. Zhang and GS Corp owning approximately [REDACTED]% of the issued share capital of our Company). Dr. Zhang has also been conferred the voting rights of Dr. Wang, Ms. Wang and Ms. Wu, who will hold approximately [REDACTED] of our total issued share capital, respectively, indirectly through GS Corp immediately following the completion of the [REDACTED] and the [REDACTED] (which is owned as to approximately 23.235% by Dr. Wang, 11.76% by Ms. Wang and 23.235% by Ms. Wu and GS Corp owning approximately [REDACTED]% of the issued share capital of our Company). Therefore, immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and the options that have been or may be granted under the Share Option Schemes), Dr. Zhang, the Concerted Parties and Ms. Wu will hold approximately 98.82% of shares of GS Corp and GS Corp will hold approximately [REDACTED]% of the Shares. Dr. Zhang, through GS Corp and the voting proxy conferred by Dr. Wang and Ms. Wang, will beneficially hold more than 30% of the enlarged issued share capital of our Company. Dr. Zhang, the Concerted Parties and GS Corp will continue to be the Controlling Shareholders for the purpose of the [REDACTED] Rules. As of the Latest Practicable Date, GS Corp is principally engaged in investment holding. Details of Dr. Zhang’s, Dr. Wang’s and Ms. Wang’s biographies are set out in the section headed “Directors and Senior Management” in this document.

COMPETING INTEREST

Apart from the business of our Group, as of the Latest Practicable Date, none of our Controlling Shareholders and Directors has any interest in any business, which compete or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 8.10 of the [REDACTED] Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, the Board is satisfied that our Group is capable of carrying out our business independently from the Controlling Shareholders upon or shortly after the [REDACTED]. Our Directors are of the view that there will be no significant transactions between our Group and our Controlling Shareholders following the completion of the [REDACTED] and the [REDACTED].

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Operational Independence

Our Company is capable of making independent decisions on business operations. Although the Controlling Shareholders retains a controlling interest in our Company after the [REDACTED] on the Stock Exchange, it does not prevent us from exercising full rights to carry out our own decisions on the business operations.

Save as disclosed in the sections headed “Risk Factors” and “Business” in this document, our Company has obtained all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

In addition, our organizational structure is well defined to align the day-to-day operation of the business with the organizational aims. Each department in our organizational structure is empowered to determine the modes in which it operates and performs independently, subject to the final confirmation and approval of our chief executive officer or the chief operating officer. We have also established efficient and transparent internal control system to facilitate the effective operation of our business.

Accordingly, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Management Independence

Our management and operational decision are made by our Board and senior management. Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Dr. Zhang, one of our Controlling Shareholders, is also our chairman, an executive Director and chief executive officer, and directors of all subsidiaries (except for GS Japan) of our Company. Dr. Wang, a party acting in concert with Dr. Zhang and Ms. Wang, one of our Controlling Shareholders, is also a non-executive Director and directors of two subsidiaries of our Company, namely, GS USA and GS HK. Ms. Wang, a party acting in concert with Dr. Zhang and Dr. Wang, one of our Controlling Shareholders, is also an executive Director and chief operating officer of our Company and directors of all subsidiaries of our Company (except for GS Japan, BSJ HK, Legend HK and our PRC subsidiaries). Save for Dr. Zhang, Dr. Wang and Ms. Wang, no Controlling Shareholder holds any directorship in our Group.

Our managerial decision makers are empowered to provide input into and have final approval of development of corporate strategy and performance objectives. Their managerial roles include, among others, independently reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. Our Directors and senior management are familiar with the fundamentals of our Company’s business, its operations and informed about our Company’s activities.

Our Group has established an (i) audit committee, (ii) remuneration committee and (iii) nomination committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgment and will be able to provide impartial opinion and professional advice in the decision-making process of the Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in

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the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) and their respective associate(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has also established internal control mechanism 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. Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the [REDACTED].

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of the our Group. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date. Further, the Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by the Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to make independent managerial decisions having regard to their own knowledge of the corporation and their experience and skills.

Financial Independence

Our Company is empowered to make independent decision in respect of business financial matters. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from a financial perspective. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, none of the Controlling Shareholders or their respective associates had provided any guarantee to our Group.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Save as disclosed in this document, each of our Controlling Shareholders has confirmed that none of them nor any of its/his close associates is engaged in, involved in or interested in any business (other than being a director or shareholder of our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders have given an irrevocable non-compete undertaking in favor of our Company (for itself and for the benefits of its subsidiaries) pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group):

- (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged

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in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business of our Group referred to in the Document and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the “Restricted Activity”);

- (ii) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-Competition and the enforcement of the Deed of Non-Competition;
- (iii) to procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition either through the annual report, or by way of announcement(s) to the public; and
- (iv) to make an annual declaration on compliance with its undertaking under the Deed of Non-Competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the [REDACTED].

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he or its/his close associate(s) (other than any member of our Group) (the “Offeror”) is given or offered or has identified any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “New Opportunities”), it/he will and will procure its/his associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of our Controlling Shareholders is required to, and shall procure its/his associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “Offer Notice”); and
- (ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the “Independent Board Committee”) which comprises our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from our Independent Board Committee in the manner as to whether (a) such New

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Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

Where our Controlling Shareholders and/or their associates (other than our Group) have acquired any business, investment or interest in any entity relating to the Restricted Activity pursuant to the immediately preceding point (ii) above, our relevant Controlling Shareholders and/or their associates (other than our Group) shall provide us with pre-emptive right (the “Pre-emptive Right”) to acquire any such Restricted Activity under the same circumstances. Where our Independent Board Committee decides to waive the Pre-emptive Right by way of written notice, our relevant Controlling Shareholders and/or their associates (other than our Group) may offer to sell such business, investment or interest in Restricted Activity to other third parties on such terms which are no more favorable than those made available to our Group. In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the “Relevant Period” means the period commencing from the [REDACTED] Date and shall expire on the earlier of:

- (i) the date on which our Controlling Shareholders and their associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the [REDACTED] Rules; and
- (ii) the date on which our Shares cease to be [REDACTED] on the Stock Exchange or (if applicable) other stock exchange.

The Deed of Non-competition is conditional on (i) the [REDACTED] Committee granting [REDACTED] of, and permission to deal in, all our Shares in [REDACTED] and to be issued under the [REDACTED] and the [REDACTED] and our Shares which may be [REDACTED] upon the exercise of the [REDACTED] and options that have been or may be granted under the Share Option Schemes, and (ii) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the [REDACTED]) and that the [REDACTED] Agreements not being terminated in accordance with their terms or otherwise.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognize the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and our Group will be taken:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (iii) our Controlling Shareholders have undertaken under the Deed of Non-competition to provide all information necessary for the annual review by our independent non-executive Directors

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with regard to compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition;

- (iv) our Company will disclose in the annual report of our Company or, where our Board considers is appropriate by way of announcement(s), the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition;
- (v) our Controlling Shareholders have undertaken to us under the Deed of Non-competition to make an annual declaration as to compliance with the terms of the Deed of Non-competition in the annual report of our Company;
- (vi) the Independent Board Committee of our Company comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunities referred to our Group by our Controlling Shareholders (or their associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. We believe that our independent non-executive Directors are of sufficient caliber, 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 impartial and professional advice to protect the interests of our Shareholders. For more details of expertise and experience of our independent non-executive Directors, please see the section headed “Directors and Senior Management” in this document. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial advisor and other external professional advisors as they may consider necessary to advise them on the issues which relate to the above matters;
- (vii) our Company has established internal control mechanism to identify connected transactions, and will comply with Chapter 14A of the [REDACTED] Rules, including, where applicable, the announcement, reporting and independent shareholders’ approval requirements; and
- (viii) our Company has appointed Haitong International Capital Limited as the compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the [REDACTED] Rules including various requirements relating to corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.