OVERVIEW

Foreign investment activities in the PRC now are mainly governed by the Encouraging List 2019 and the Negative List 2020 (the "**Relevant PRC Regulations**"), promulgated jointly by the MOFCOM and the NDRC, pursuant to which the industries listed therein are divided into three categories in terms of foreign investment, namely, "encouraged," "permitted," and "prohibited." According to the Relevant PRC Regulations, foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.

Our Group engages in the R&D of CAR T-cell therapy and TCR T-cell therapy (the "**Relevant Businesses**"), which involve the development and application of gene diagnostic and therapeutic technologies, and therefore fall into the scope of the "prohibited" category. The Relevant Businesses are carried out by Shanghai Xianbo, and thus, we cannot directly or indirectly hold any equity interest in Shanghai Xianbo.

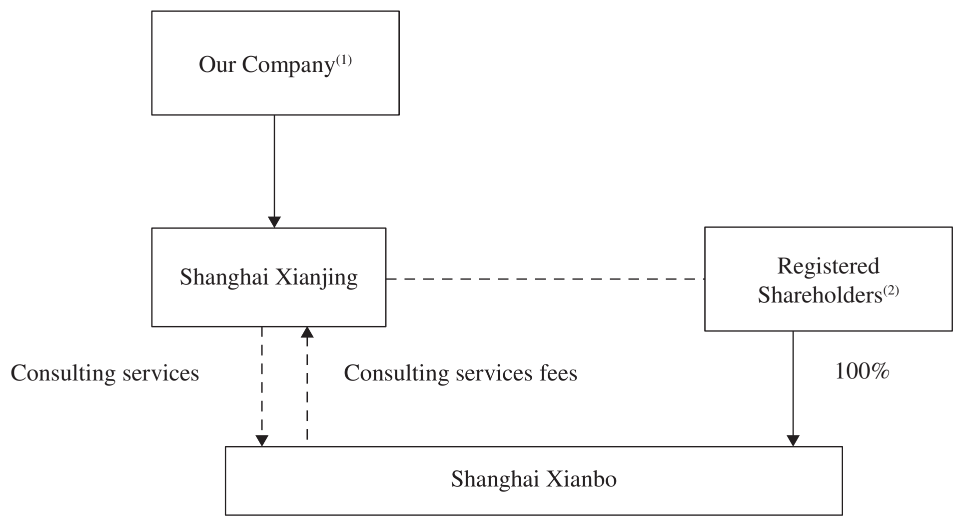
In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Businesses, we, through our wholly-owned subsidiary, Shanghai Xianjing, entered into the Contractual Arrangements with Shanghai Xianbo, our Consolidated Affiliated Entity, and its Registered Shareholders (as defined below), pursuant to which Shanghai Xianjing acquired effective control over the financial and operational policies of Shanghai Xianbo and has become entitled to all the economic benefits derived from its operations. In light of the foregoing reasons, we believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in the field that are subject to foreign investment restrictions in the PRC.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Shanghai Xianjing, Shanghai Xianbo, and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement dated April 30, 2020 with Shanghai Xianjing, Shanghai Xianbo will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

We will unwind and terminate the Contractual Arrangements wholly or partially once Relevant Businesses are no longer prohibited or restricted from foreign investment. We will directly hold the maximum percentage of ownership interests permissible under the relevant PRC laws and regulations if such businesses are allowed to be conducted by sino-foreign equity joint ventures or wholly-owned foreign investment entities under the relevant PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from Shanghai Xianbo to our Group stipulated under the Contractual Arrangements:



Notes:

"→" denotes directly or indirectly legal and beneficial ownership in the equity interest.

"– →" denotes contractual relationship through the Exclusive Business Cooperation Agreement.

"– –" denotes the control by Shanghai Xianjing over Shanghai Xianbo through (i) powers of attorney to exercise all shareholders' rights in Shanghai Xianbo; (ii) exclusive options to acquire all or part of the equity interest and/or assets in Shanghai Xianbo; and (iii) equity pledges over the equity interest in Shanghai Xianbo.

(1) As of the Latest Practicable Date, Shanghai Xianjing was wholly owned by Simcere Industrial which was in turn wholly owned by Simgene Group. Simgene Group was a directly wholly-owned subsidiary of our Company.

(2) As of the Latest Practicable Date, Shanghai Xianbo was held as to 95% by Mr. Ren and as to 5% by Mr. Zhu Zhenfei (朱振飛) (collectively, the "**Registered Shareholders**"). Mr. Zhu Zhenfei has approximately 12 years of working experience with our Group and is currently the head of our Group's legal department. He also serves as a supervisor of various subsidiaries of our Group, including but not limited to Jiangsu Simcere, Hainan Simcere, Simcere Pharmaceutical and Shandong Simcere. Mr. Zhu is also a director of Excel Management, one of our Shareholders, and a supervisor at several companies established in the PRC which are close associates of Mr. Ren. Save as disclosed above, Mr. Zhu does not have any other past or present relationships (whether business, employment, family, trust, financing or otherwise) with any member of our Group, their shareholders, directors, senior management or any of their respective associates.

Exclusive Business Cooperation Agreement

Shanghai Xianbo and Shanghai Xianjing entered into the exclusive business cooperation agreement on April 30, 2020 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Shanghai Xianbo agreed to engage Shanghai Xianjing as its exclusive provider of technical support, consultation, and other services, including (1) management consultation, (2) technical consultation, (3) technical service, (4) network support, (5) business support, (6) human resource support, (7) license and authorization of the use of intellectual properties, (8) rental of equipment and office properties, (9) market consultation, (10) research and development of products, (11) management consultant service in relation to the business operation of the Shanghai Xianbo and (12) other relevant services requested by Shanghai Xianbo from time to time to the extent permitted under PRC laws.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee is equivalent to the total consolidated net profit of Shanghai Xianbo, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Shanghai Xianjing is entitled to adjust the level of the service fee at its sole discretion taking into account certain factors, including, among other things, difficulty and complication of such services, time commitment to such services, actual service scope and business value and the market price of the same or similar services. Shanghai Xianbo has agreed to pay the service fees to the bank account designated by Shanghai Xianjing within five business days after Shanghai Xianjing issues the payment notice. In addition, pursuant to the Exclusive Business Cooperation Agreement, as to the services provided by the third parties to Shanghai Xianbo identical or similar to the contemplated services before the date of the Exclusive Business Cooperation Agreement, Shanghai Xianbo shall immediately terminate the relevant agreements except for the prior written consent given by Shanghai Xianjing and assume any charges or liabilities due to such termination.

The Exclusive Business Cooperation Agreement also provides that Shanghai Xianjing has the exclusive proprietary rights and interests in any and all intellectual property rights developed or created by Shanghai Xianbo or Shanghai Xianjing during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement has an indefinite term commencing from the date of the agreement. The Exclusive Business Cooperation Agreement may be terminated by Shanghai Xianjing without being liable for any defaults for unilaterally termination (i) by giving Shanghai Xianbo a 30 days' prior written notice of termination; (ii) upon the transfer of the entire equity interest in and the transfer of all assets of Shanghai Xianbo to Shanghai Xianjing or its designee(s) pursuant to the Exclusive Option Agreement; (iii) the event of the bankruptcy, liquidation, termination, or dissolution of Shanghai Xianbo occurs during the term of the Exclusive Business Cooperation Agreement, at the date of such bankruptcy, liquidation, termination, or dissolution occurs; (iv) when it is legally permissible for Shanghai Xianjing to hold equity interest directly or indirectly in Shanghai Xianbo and Shanghai Xianjing or its designee(s) is registered to be the shareholder of Shanghai Xianbo; or (v) upon the occurrence of the default of event (as defined in the Exclusive Business Cooperation Agreement). Shanghai Xianbo is not contractually entitled to terminate the Exclusive Business Cooperation Agreement.

Entrustment Agreement and Powers of Attorney

Each of Shanghai Xianbo, the Registered Shareholders and Shanghai Xianjing entered into the shareholder's rights entrustment agreements (the "**Entrustment Agreement**") on April 30, 2020, pursuant to which, each Registered Shareholder, through the power of attorney ("**Power of Attorney**"), irrevocably and exclusively grant Shanghai Xianjing or its designee(s) (being the Directors of our Company and their successors and liquidators replacing such Directors but excluding those non-independent or who may give rise to the conflict of interests) the power to exercise all rights of the Registered Shareholders as set out in the then-valid articles of association of Shanghai Xianbo and relevant laws and regulations, including but not limited to the rights:

(i) to convene, participate in shareholders' meeting in the capacity of a proxy of the Registered Shareholder and adopt and execute shareholders' resolutions;

(ii) to exercise all the shareholders' rights pursuant to the relevant PRC laws and regulations and the articles of association of Shanghai Xianbo, including, among others, voting rights, dividend rights, sale, transfer, pledge, or disposal of all or part of the equity interest of Shanghai Xianbo and director appointment rights;

(iii) to designate the person recognized by Shanghai Xianjing as the legal representative, chairman of the board, directors or managers of Shanghai Xianbo, or, on behalf of the Registered Shareholders, to designate, appoint or remove the legal representative, chairman of the board, directors, chief executive director (or managers), supervisors and other senior officers of Shanghai Xianbo pursuant to the articles of association of Shanghai Xianbo; to raise lawsuits or other legal proceedings against the directors and senior officers of Shanghai Xianbo when their behaviors harm the interest of its shareholders; and to instruct the directors and senior officers to act in accordance with our intention;

(iv) to sign or submit any required document (including the resolutions or minutes of the shareholders' meeting) to any company registry or other authorities in the capacity of proxy;

(v) to exercise the voting rights as the proxy of the Registered Shareholders in relation to the liquidation, bankruptcy, dissolution or termination matters with regard to Shanghai Xianbo;

(vi) to decide the matters relating to the submission or registration of Shanghai Xianbo's documents to the governmental authorities;

(vii) to deal with any asset of Shanghai Xianbo including but not limited to managing its business and accessing and acquiring its revenue and assets; and

(viii) any other shareholders' rights as set out in the articles of association of Shanghai Xianbo (as amended from time to time) and applicable PRC laws.

The Entrustment Agreement has an indefinite term and will be terminated in the event that (i) the Entrustment Agreement is unilaterally terminated by Shanghai Xianjing; or (ii) it is legally permissible for Shanghai Xianjing or its offshore holding companies to hold equity interest directly or indirectly in Shanghai Xianbo and Shanghai Xianjing or its designee(s) is registered to be the shareholder of Shanghai Xianbo.

The Registered Shareholders undertake that the authorization under the Entrustment Agreement will not lead to any actual or potential conflict of interest with Shanghai Xianjing and/or its designee(s). If there is any conflict of interest (subject to the sole discretion of Shanghai Xianjing) with Shanghai Xianjing and other members of our Group, the Registered Shareholders shall prioritize to protect and will hold harmless of Shanghai Xianjing or any member of our Group and eliminate such conflict as soon as possible. Where the Registered Shareholders are the Directors or senior management of our Company, the rights in relation to the Entrustment Agreement will be granted to the Directors or senior management of our Company who are not the Registered shareholders. The Registered Shareholders shall not take or omit to take any actions which may lead to a conflict of interest with Shanghai Xianjing or its shareholders, nor the Registered Shareholders shall execute any agreement or make any undertaking therein which has the conflict of interest with any agreement signed or being preformed between Shanghai Xianbo, Shanghai Xianjing or its designee(s). In the event that the Registered Shareholders refuse to take any action to eliminate the conflict of interest, Shanghai Xianjing shall be entitled to exercise the Exclusive Option Rights.

Exclusive Option Agreement

Shanghai Xianjing, Shanghai Xianbo and the Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreement**") on April 30, 2020, pursuant to which the Registered Shareholders jointly and severally granted Shanghai Xianjing the irrevocable and exclusive rights (the "**Exclusive Option Rights**"), provided that it is permitted under the PRC laws and regulations, to acquire the equity interest of Shanghai Xianbo from the Registered Shareholders or to acquire the assets of Shanghai Xianbo by Shanghai Xianjing or its designee(s), in whole or in part at any time and from time to time, for free or at a nominal price or the lowest price legally permissible under the PRC laws and regulations. Upon the equity interest or assets being duly transferred to Shanghai Xianjing or its designee(s) and after deducting necessary tax expenses, Shanghai Xianjing or its designee(s) shall pay the consideration within seven days to the designated bank accounts of the Registered Shareholders or Shanghai Xianbo. Shanghai Xianbo and the Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to Shanghai Xianjing or its designee(s) any consideration they received within seven days in the event that Shanghai Xianjing exercises the Exclusive Option Rights to acquire the equity interest and/or assets in Shanghai Xianbo. If such return is not permissible under the PRC laws, the returned consideration shall be escrowed by Shanghai Xianjing and the Registered Shareholders and Shanghai Xianbo shall execute all escrow agreements or other documents in favor of Shanghai Xianjing.

Pursuant to the Exclusive Option Agreement, Shanghai Xianbo and the Registered Shareholders, separately and jointly, covenant and warrant, among other things, that:

(i) without the prior consent of Shanghai Xianjing, they shall not supplement, change, or amend the articles of association of Shanghai Xianbo, or increase or reduce the registered capital of Shanghai Xianbo, or otherwise change the structure of the registered capital of Shanghai Xianbo, and they shall not divide, dissolve or change the corporate form of Shanghai Xianbo;

(ii) they shall maintain the good standing of Shanghai Xianbo, operate its business and deal with its affairs prudently and effectively in accordance with the good financial and business standards and practices, and they shall prompt Shanghai Xianbo to perform its obligations under the Exclusive Business Cooperation Agreement;

(iii) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not sell, transfer, pledge or otherwise dispose of any assets (including tangible and intangible assets), businesses or incomes with an amount of exceeding RMB500,000, or allow to place encumbrances on its assets;

(iv) without written consent of Shanghai Xianjing, Shanghai Xianbo shall not be dissolved or liquidated, unless otherwise mandatorily required by the PRC laws, upon the occurrence of the statutory liquidation events. The Registered Shareholders irrevocably covenant that they shall pay or cause to pay Shanghai Xianjing or its designee(s) in full any remaining residual value received on a unilateral basis, subject to the then provisions and requirements of the PRC laws. If such payment is prohibited by the PRC laws, the amount shall be escrowed by Shanghai Xianjing and the Registered Shareholders shall execute all escrow agreements or other documents in favor of Shanghai Xianjing;

(v) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not incur, inherit, guarantee or assume any debt, unless (i) the debts incurred in the normal or ordinary course of business other than payables incurred by a loan; or (ii) the debts have been disclosed to and consented in writing by Shanghai Xianjing;

(vi) Shanghai Xianbo shall operate Shanghai Xianbo in the ordinary course of business so as to maintain Shanghai Xianbo's asset value, and shall not take or omit to take any actions which may adversely affect the operational situation or asset value of Shanghai Xianbo. The board of directors of Shanghai Xianjing is entitled to oversee Shanghai Xianbo's assets and to evaluate whether Shanghai Xianjing has the controlling interest over Shanghai Xianbo's assets. In the event that the board of directors of Shanghai Xianjing deems that its controlling interest over Shanghai Xianbo's assets or the asset value of Shanghai Xianbo has been affected by the operating activities of Shanghai Xianbo, the board of directors of Shanghai Xianjing is entitled to engage legal advisors or other professionals to handle such matters;

(vii) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not enter into any material contracts with the amount exceeding RMB500,000 other than in the ordinary course of business or with our Company, our subsidiaries or any other members of our Group;

(viii) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not provide anyone with any loan, financial assistance, mortgage, pledge or any other form of security or to allow a third party to mortgage or pledge its assets or equity interest;

(ix) within 10 days after the end of each quarter or upon request by Shanghai Xianjing, they shall provide Shanghai Xianjing with all information regarding the operation and financial status of Shanghai Xianbo;

(x) Shanghai Xianbo shall purchase and maintain insurance over the assets and business of Shanghai Xianbo from an insurance carrier acceptable to Shanghai Xianjing, at an amount and type of coverage typical for companies carrying on similar businesses or owning similar property or assets in PRC;

(xi) without the prior written consent of Shanghai Xianjing, Shanghai Xianbo shall not merger, form a partnership, establish a joint venture or combine with anyone, or acquire or invest in any entities;

(xii) Shanghai Xianbo shall immediately inform Shanghai Xianjing if assets, business or income of Shanghai Xianbo involve in any disputes, litigations, arbitrations or administrative proceedings, and shall take all necessary measures in accordance with Shanghai Xianjing's reasonable request. Such proceedings may only be settled upon prior written consent of Shanghai Xianjing;

(xiii) Shanghai Xianbo shall sign all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate claims or raise necessary and appropriate defenses against all claims to maintain the ownership of its assets;

(xiv) without the prior written consent of Shanghai Xianjing, they shall not distribute any dividend to the Registered Shareholders. However, upon request of Shanghai Xianjing, Shanghai Xianbo shall immediately distribute all distributable profits to the Registered Shareholders, and each Registered Shareholder shall transfer all dividends received to Shanghai Xianjing or its designee(s) to the extent permissible under the PRC laws;

(xv) at the request of Shanghai Xianjing, they shall appoint any persons designated by Shanghai Xianjing as the directors, supervisors and/or senior management of Shanghai Xianbo or remove the directors, supervisors and/or senior management of Shanghai Xianbo then in office without any delay and shall complete all resolution and filing procedures;

(xvi) in the event that Shanghai Xianbo or any of its Registered Shareholders fails to fulfill his tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by Shanghai Xianjing, Shanghai Xianjing has the right to request Shanghai Xianbo or its shareholders to fulfill such tax obligation, or request Shanghai Xianbo to pay such tax amount to Shanghai Xianjing and Shanghai Xianjing shall pay such tax on behalf of Shanghai Xianbo;

(xvii) subject to the compliance with the then applicable PRC laws, they will return to Shanghai Xianjing or its designee(s) any consideration they received after deducting necessary tax expenses within seven days in the event that Shanghai Xianjing exercises the Exclusive Option Rights to acquire the equity interest and/or assets in Shanghai Xianbo. If such return is not permissible under the PRC laws, the returned consideration shall be escrowed by Shanghai Xianjing and the Registered Shareholders and Shanghai Xianbo shall execute all escrow agreements or other documents in favor of Shanghai Xianjing; and

(xviii) they shall cause the subsidiaries subsequently established, acquired or actually controlled by Shanghai Xianbo to exercise rights, comply with covenants of Shanghai Xianbo and perform obligations equivalent to those of Shanghai Xianbo in accordance with the Exclusive Option Agreement, to the extent applicable.

Pursuant to the Exclusive Option Agreement, the Registered Shareholders irrevocably covenant and warrant that they shall, among other things:

(i) without the prior written consent of Shanghai Xianjing, at any time from the date of the Exclusive Option Agreement, not sell, transfer, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interest of Shanghai Xianbo held by them, except for the pledge set on the equity interest of Shanghai Xianbo in accordance with the Equity Pledge Agreement (defined as below);

(ii) not conduct operating or any other activities that may adversely affect the reputation of Shanghai Xianbo;

(iii) take all measures to ensure the legality and effectiveness of all operating licenses of Shanghai Xianbo and renew such licenses on time;

(iv) not enter into any agreement or make any undertaking that has the conflict of interests with any ongoing legal documents executed by, and under during the performance of, Shanghai Xianbo, Shanghai Xianjing, or their designees; and not cause any conflict of interests between the Registered Shareholders, and Shanghai Xianjing and its shareholders by acts or omissions. In the event of the occurrence of such conflict (subject to Shanghai Xianjing's sole discretion), the Registered Shareholders shall take measures as soon as possible to eliminate such conflict with the prior consent of Shanghai Xianjing or its designees. Shanghai Xianjing may exercise the Exclusive Option Rights if the Registered Shareholders refuse to take such measures;

(v) without the written consent of Shanghai Xianjing, not directly or indirectly engage or be engaged in any business that competes or may compete with the business of Shanghai Xianjing and Shanghai Xianbo in any manner, or be employed by relevant entities operating or hold interests in or assets of such entities that compete or may compete with the business of Shanghai Xianjing and Shanghai Xianbo (other than holding the equity interest no more than 5% in the company that competes or may compete with Shanghai Xianjing and Shanghai Xianbo). Shanghai Xianjing is entitled to make the final decision on whether such competition exists or may exist;

(vi) not (i) distribute dividends or profits in other manner, arising from any equity interest held by the Registered Shareholders, (ii) propose any such matters to be resolved on shareholders' meeting; or (iii) vote in favor of any resolution on shareholders' meeting. If the Registered Shareholders received such dividends for any reason, they shall gift all such dividends acquired from Shanghai Xianbo to Shanghai Xianjing or its designees after deduction of the relevant tax (if any) to the extent permitted under the PRC laws;

(vii) cause the meetings of the shareholders and/or the board/executive director not to approve to sell, transfer, pledge, or otherwise dispose of the legitimate or beneficial interest of any equity interest of Shanghai Xianbo or to allow any encumbrance (except the encumbrance made to Shanghai Xianjing or its designee(s) in accordance with the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney) to be placed on it, without prior written consent of Shanghai Xianjing;

(viii) cause the meetings of the shareholders and/or the director/executive director not to approve the merger, partnership, joint venture or combination of Shanghai Xianbo with any person, or the acquisition of or investing in any person, or division of Shanghai Xianbo, the amendment of the articles of association of Shanghai Xianbo, changing the registered capital or changing the corporate form of Shanghai Xianbo, without the prior written consent of Shanghai Xianjing;

(ix) immediately notify Shanghai Xianjing of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to equity interest of Shanghai Xianbo, take all necessary measures in accordance with the reasonable request of Shanghai Xianjing, and not settle such proceedings without prior written consent of Shanghai Xianjing;

(x) cause the meetings of the shareholders or the directors/executive directors of Shanghai Xianbo to vote on the approval of the transfer of equity interest in Shanghai Xianbo and any other action requested by Shanghai Xianjing pursuant to the Exclusive Option Agreement;

(xi) upon request by Shanghai Xianjing at any time, Shanghai Xianbo and/or its Registered Shareholders shall promptly and unconditionally transfer their equity interest in and/or assets of Shanghai Xianbo to Shanghai Xianjing or its designee(s) upon the exercise of the Exclusive Option Rights, and each of the Registered Shareholders waives the right of first refusal, if any, with respect to the equity transfer by other Registered Shareholders of Shanghai Xianbo;

(xii) strictly comply with the provision of the Exclusive Option Agreement and any other agreements (including but not limited to the Exclusive Business Cooperation Agreement and the Equity Pledge Agreement) entered into between Shanghai Xianjing and Shanghai Xianbo, guarantee the performance of the obligation under the above agreements, and not carry out any actions or omissions which may affect the effectiveness and enforceability of the above agreements. If the Registered Shareholders possess any remaining rights to the equity interest under the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, they shall not exercise such rights unless at the written instruction of Shanghai Xianjing;

(xiii) promptly deliver the distribution of remaining property (after deduction of the relevant tax) received from the holding of the equity interest in Shanghai Xianbo to Shanghai Xianjing (or its designee(s)) for free, in which case the Registered Shareholders shall not claim any rights with respect to the distribution of the remaining property (except as directed by Shanghai Xianjing), if Shanghai Xianjing (or its designee(s)) has paid the equity purchase price to the Registered Shareholders before the dissolution of Shanghai Xianbo but the relevant filing procedures have not been completed, at or after the dissolution of Shanghai Xianbo;

(xiv) promptly perform its tax obligations pursuant to the appropriate laws to ensure Shanghai Xianjing's smooth exercise of the Exclusive Option Rights;

(xv) execute an irrevocable Power of Attorney to the extent satisfactory to Shanghai Xianjing, grant all rights to Shanghai Xianjing or its designee(s) to exercise all of his rights as a shareholder of Shanghai Xianbo; and

(xvi) ensure that Shanghai Xianbo validly exists and will not be terminated, liquidated or dissolved.

The Registered Shareholders and Shanghai Xianbo shall procure the subsidiaries of Shanghai Xianbo subsequently established, acquired or actually controlled by them to comply with the above undertakings as if they were parties to the Exclusive Option Agreement. The Exclusive Option Agreement is for an indefinite term of commencing on the date of the agreement, until it is terminated (1) by Shanghai Xianjing through giving Shanghai Xianbo and the Registered Shareholders a prior written notice of termination; or (2) upon the transfer of the entire equity interest held by the Registered Shareholders and/or the transfer of all the assets of Shanghai Xianbo to Shanghai Xianjing or its designated person. Neither Shanghai Xianbo nor the Registered Shareholders is contractually entitled to terminate the Exclusive Option Agreement with Shanghai Xianjing.

Equity Pledge Agreement

Shanghai Xianjing, Shanghai Xianbo and the Registered Shareholders entered into the equity pledge agreement (the "**Equity Pledge Agreement**") on April 30, 2020, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interest in Shanghai Xianbo to Shanghai Xianjing as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, the Registered Shareholders confirm and agree that, in the event of bankruptcy, reorganization, merger, or any change in the equity interest of Shanghai Xianbo, the Registered Shareholders will procure any successors of the Registered Shareholders to comply with the same undertakings as if they were parties to the Equity Pledge Agreement. If Shanghai Xianbo declares any dividend during the term of the pledge, Shanghai Xianjing is entitled to receive all such dividends, bonus or other income for free arising from the pledged equity interest, if any. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to Shanghai Xianjing, among other things, not to transfer the interest in his equity interest in Shanghai Xianbo without the prior written consent of Shanghai Xianjing.

The equity pledge takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until (1) each of the Registered Shareholders has transferred all his equity interest and assets of Shanghai Xianbo in accordance with the Exclusive Option Agreement; (2) the Equity Pledge Agreement has been unilaterally terminated by Shanghai Xianjing; or (3) the performance of the Equity Pledge Agreement will violate applicable laws and regulations and Listing Rules of the Stock Exchange. The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreement and the PRC laws and regulations.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), Shanghai Xianjing shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interest based on the monetary valuation that such equity interest are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

Spouse Undertakings

The spouse of each of the Registered Shareholders has executed a written consent to the effect that (1) she acknowledges and consents that the respective Registered Shareholder enters into the Contractual Arrangements and the amendments and termination of the Contractual Arrangements do not require her further authorization or consents under the Contractual Arrangements; (2) she confirms that the equity interest of Shanghai Xianbo held by each of the Registered Shareholders do not fall within the scope of communal properties and she has no interest (including the interest obtained through the Contractual Arrangements) in the equity interest of Shanghai Xianbo; (3) she will not take any actions for the purpose of intervention of the Contractual Arrangements, including without limitations, not to claim any right over the equity interest or assets of Shanghai Xianbo or the interest obtained through the Contractual Arrangements; (4) she was not and will not be involved in the operation and management of Shanghai Xianbo; and (5) she will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements as amended from time to time.

Dispute Resolution

In the event of any dispute with respect to the construction and performance of the provisions, each of the Contractual Arrangements stipulates that:

(i) the parties shall negotiate in good faith to resolve the dispute;

(ii) in the event the parties fail to settle the dispute within 30 days of a negotiation request, any party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)), in accordance with the then effective arbitration rules of the arbitration commission. The arbitration shall be conducted in Shanghai. The arbitration ruling shall be final and binding on all parties;

(iii) the arbitral tribunal may award remedies over the equity interest and property interest and other assets of Shanghai Xianbo, injunctive relief or order the winding up of Shanghai Xianbo; and

(iv) upon the request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of arbitration pending the formation of the arbitral tribunal or in appropriate cases. The courts of Hong Kong, the Cayman Islands and other courts with jurisdiction, including but not limited to the place where Shanghai Xianbo established or the place where the principal assets of Shanghai Xianjing and Shanghai Xianbo are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisers that:

(i) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shanghai Xianbo pursuant to current PRC laws;

(ii) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong may not be recognizable or enforceable in the PRC; and

(iii) any arbitration awards or interim remedies made by the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)) in accordance with dispute restitution provisions set out in each of the Contractual Arrangements are subject to applications to the competent PRC courts for compulsory enforcement.

As a result of the above, in the event that Shanghai Xianbo or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shanghai Xianbo and conduct our business could be materially and adversely affected. For details, please see "Risk Factors – Risks Relating to the Contractual Arrangements."

Succession

Pursuant to the Contractual Arrangements, the Registered Shareholders undertake to Shanghai Xianjing that, in the event of death, loss of or restriction on capacity, divorce or other circumstances regarding the Registered Shareholders which may affect the exercise of his direct equity interest in Shanghai Xianbo, the Registered Shareholder's respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly, will be deemed as a signing party to the Contractual Arrangements and be obliged to the rights and liabilities under the Contractual Arrangements.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation of Shanghai Xianbo required by the PRC laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to Shanghai Xianjing or its designee(s) to the extent permitted by the PRC laws.

Conflicts of Interests

Each of the Registered Shareholders has given their irrevocable undertakings in the Entrustment Agreement and Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, please see "– Entrustment Agreement and Powers of Attorney."

Loss Sharing

In the event that Shanghai Xianbo incurs any loss or encounters any operational crisis, Shanghai Xianjing may provide financial support to Shanghai Xianbo when deemed necessary.

None of the agreements constituting the Contractual Arrangements provide that our Company or Shanghai Xianjing, is obligated to share the losses of Shanghai Xianbo or provide financial support to Shanghai Xianbo. Further, Shanghai Xianbo is a company with limited liabilities and shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Shanghai Xianjing, is not legally required to share the losses of Shanghai Xianbo or provide financial support to Shanghai Xianbo. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through Shanghai Xianbo, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if Shanghai Xianbo suffers losses.

Insurance

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entity under the Contractual Arrangements.

EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Shanghai Xianbo, and is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us, Shanghai Xianbo and the Registered Shareholders on the following basis:

(i) the arrangement under the Exclusive Business Cooperation Agreement will ensure that all economic benefits generated from the operations of Shanghai Xianbo will flow to Shanghai Xianjing whilst ensuring compliance with applicable PRC laws and regulations and allowing Shanghai Xianbo to continue to maintain and renew the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such Relevant Businesses which are prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Group as a whole. The delineation of the assets and staffing between Shanghai Xianjing, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and Shanghai Xianbo, which shall be responsible for the operations of the Relevant Businesses and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and relevant licenses granted to Shanghai Xianbo, would allow a proper discharge of the respective responsibilities of Shanghai Xianjing and Shanghai Xianbo under the Contractual Arrangements and also ensure sound and effective operation of our Relevant Businesses in compliance with the Contractual Arrangements and applicable laws and regulations;

(ii) under the Exclusive Option Agreement, the Registered Shareholders have granted Shanghai Xianjing irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interest or assets of Shanghai Xianbo. For details, please see "– Contractual Arrangements – Exclusive Option Agreement." These provisions enable Shanghai Xianjing or its designee(s) to act as the shareholder(s) of its choice to take over the equity interest in Shanghai Xianbo at any time and thereby ensuring that our Group will continue to maintain our interest in Shanghai Xianbo upon the exercise of the right pursuant to the Exclusive Option Agreement;

(iii) under the Equity Pledge Agreement, the Registered Shareholders have pledged all of their respective equity interest in Shanghai Xianbo to Shanghai Xianjing and completed the registration of the Equity Pledge Agreement with the local administration bureau on June 23, 2020. The registered pledges effectively prevent the Registered Shareholders from impeding Shanghai Xianjing's control over Shanghai Xianbo by transferring their equity interest in Shanghai Xianbo to bona fide third parties without Shanghai Xianjing's knowledge or approval;

(iv) under the Entrustment Agreement and Powers of Attorney, the Registered Shareholders unconditionally and irrevocably appoint Shanghai Xianjing or its designee(s) the power to exercise all the rights that they have as the shareholders of Shanghai Xianbo. These provisions provide Shanghai Xianjing with the powers to determine or change the composition of the board of directors and management team of Shanghai Xianbo at any time, which in turn provides Shanghai Xianjing with the power to control Shanghai Xianbo without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Shanghai Xianbo on our Company and our legally-owned subsidiaries;

(v) under the Spouse Undertakings, the spouses of each of our Registered Shareholders undertake not to take any actions to prevent the performances under the Contractual Arrangements; and

(vi) we, through Shanghai Xianjing, will only approve and consent to Shanghai Xianbo carrying out such Relevant Businesses, which would otherwise be prohibited to be carried out by foreign invested entities under the Relevant PRC Regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisors and the Joint Sponsors' PRC legal advisors conducted an interview with the officer of Shanghai Medical Products Administration ((上海市藥品監督管理局), the "**SMPA**") on April 21, 2020, who has provided confirmation that (i) the SMPA is the competent government authority for the Relevant Businesses carried out by Shanghai Xianbo; (ii) the business of R&D of the CAR T-cell therapy and TCR T-cell therapy, which involves the development and application of genetic diagnosis and therapeutic technologies; and (iii) the execution and performance of the Contractual Arrangements do not require any approval or authorization by the relevant competent authorities of the pharmaceutical industry under the PRC laws and regulations.

Our PRC Legal Advisors and the Joint Sponsors' PRC legal advisors conducted an interview with the officer of Shanghai Municipal Commission of Commerce ((上海市商務委員會), the "**SMCC**") on April 21, 2020, who has provided confirmation that (i) the SMCC is the competent government authority regulating the foreign investment in Shanghai; (ii) foreign investors are not allowed to directly or indirectly hold any equity interest in a company carrying out the business falling into "prohibited" category within Negative List 2019; and (iii) the execution and performance of the Contractual Arrangements do not require any approval or authorization from the PRC government authorities under the PRC laws and regulations.

Based on the foregoing, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisers are of the view that:

(i) each of Shanghai Xianjing and Shanghai Xianbo is an independent legal entity which is duly established and validly existing under the PRC laws;

(ii) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

(iii) none of the agreements under the Contractual Arrangements would be deemed as "concealment of illegal intentions with a lawful form" and void under the Contract Law of the People's Republic of China (《中華人民共和國合同法》) (the "**PRC Contract Law**"), or violates any provisions of the articles of association of Shanghai Xianjing or Shanghai Xianbo;

(iv) according to the interviews with relevant competent government authorities, the execution and performance of the Contractual Arrangements do not require any approvals or authorizations from the PRC government authorities; and

(v) the Contractual Arrangements, whether considered separately or taken as a whole, are valid, legally binding and enforceable under the PRC laws, except that:

(a) the exercise of the option by Shanghai Xianjing of its rights under the Exclusive Option Agreement to acquire all or part of the equity interest in Shanghai Xianbo may be subject to the approvals of and/or registrations with the PRC regulatory authorities under the PRC laws and regulations (if applicable) in force then;

(b) the Equity Pledge Agreement shall take effect upon completion of registration with the relevant local administration bureau; and

(c) the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interest or assets of Shanghai Xianbo, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Shanghai Xianbo, and that competent courts of the PRC, Hong Kong, the Cayman Islands and other jurisdictions (being the places where the principal assets of Shanghai Xianbo or Shanghai Xianbo are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity interest or property interest of Shanghai Xianbo. However, our PRC Legal Advisors have advised that the interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. For further details, please see "– Contractual Arrangements – Dispute Resolution."

We have been advised by our PRC Legal Advisors, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC regulatory authorities find that the Contractual Arrangements do not comply with PRC governmental restrictions on foreign investment in the prohibited businesses, we could be subject to several legal liability as follows and without limitation:

(i) the relevant competent department may order Shanghai Xianjing, Shanghai Xianbo and its Registered Shareholders to cease the Contractual Arrangements;

(ii) Shanghai Xianbo may be ordered to dispose the shares or assets thereof or to take any other necessary measures within a prescribed time limit, and to restore the status before the Contractual Arrangements; and

(iii) the illegal gains (if any) may be confiscated by the relevant competent department.

The above-mentioned legal liability could have a material adverse effect on our ability to conduct our business. For further details, see "Risk Factors – Risks Relating to the Contractual Arrangements."

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in "Connected Transactions."

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020 ("**FIL 2019**"). The FIL 2019 is intended to replace the current foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》). For details of the FIL 2019, see "Regulatory Overview – Laws and Regulations Relating to Foreign Investment in the PRC."

The FIL 2019 stipulates the implementation of the management systems of pre-establishment national treatment and "negative list" for foreign investment. The "negative list," which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the "negative list" which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the "negative list" for any field in the "negative list" which is restricted from foreign investment. Concerning fields not mentioned in the "negative list," management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL 2019 does not contain or quote the stipulation of the "negative list."

The definition of "foreign investors" in FIL 2019 includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of the PRC in accordance with PRC laws but controlled by foreign natural persons or entities.

Moreover, the FIL 2019 does not stipulate that the "foreign investment" as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes "investments through other means stipulated under laws or administrative regulations or by the State Council" without elaboration on "other means."

Impact of FIL 2019 on Contractual Arrangements

Our PRC Legal Advisors are of the view that since contractual arrangements are not specified as "foreign investments" under the FIL 2019 and if there is no applicable law or regulation that explains "other means" of foreign investment under the FIL 2019, or if "other means" of foreign investment are specified under applicable laws or regulations not to include contractual arrangements, it is unlikely that our Contractual Arrangements will be deemed as "foreign investments" under the FIL 2019 and therefore (i) the Contractual Arrangements shall neither be subject to the "negative list" nor be regulated by relevant authorities in accordance with the requirements of the "negative list;" and (ii) the FIL 2019 would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

If the operation of our Relevant Businesses is not on the "negative list" and we can legally operate such businesses under PRC laws, Shanghai Xianjing will exercise the option under the Exclusive Option Agreement to acquire the equity interest of Shanghai Xianbo and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the operation of our Relevant Businesses is on the "negative list," unless applicable laws or regulations define contractual arrangements are one of the "other means" of foreign investment, the probability that Contractual Arrangements will be deemed as "foreign investment" under the FIL 2019 and be regulated by relevant authorities in accordance with the requirements of the "negative list," which could result in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the "negative list," is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangements and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

However, there are uncertainties regarding the FIL 2019 including, among others, the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the FIL 2019.

Sustainability of our Relevant Businesses

If any ancillary regulations or implementation rules of the FIL 2019 and the negative list subsequently issued mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL 2019 or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Listing, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of our Relevant Businesses operated through our Consolidated Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL 2019, resulting in the Contractual Arrangements becoming invalid and illegal, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entity and the financial results of the Consolidated Affiliated Entity may no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL 2019 is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL 2019 that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL 2019 or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisors), as well as its material impact on our business operation and financial position.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Shanghai Xianjing, Shanghai Xianbo will pay services fees to Shanghai Xianjing. The services fees, subject to Shanghai Xianjing's adjustment, are equal to the entirety of the total consolidated profit of Shanghai Xianbo (net of accumulated deficit of the Consolidated Affiliated Entity in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Shanghai Xianjing may adjust the services scopes and fees at its discretion in accordance with the PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entity. Shanghai Xianjing also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entity. Accordingly, Shanghai Xianjing has the ability, at its sole discretion, to extract all of the economic benefit of Shanghai Xianbo through the Exclusive Business Consulting Service Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Shanghai Xianjing has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entity as Shanghai Xianjing's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entity, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of Shanghai Xianbo through Shanghai Xianjing and, at our Company's sole discretion, can receive all of the economic interest returns generated by Shanghai Xianbo. Accordingly, Shanghai Xianbo's results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of Shanghai Xianbo into our Group's financial information as if it was our Company's subsidiary.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;

(iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our status of compliance with the FIL 2019, and (b) the latest regulatory development in relation with the FIL 2019;

(v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, and review the legal compliance of Shanghai Xianjing and Shanghai Xianbo to deal with specific issues or matters arising from the Contractual Arrangements;

(vi) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver, details of which are set out in "Connected Transactions." Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given; and

(vii) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

In addition, notwithstanding that our executive Director, namely Mr. Ren, is also the Registered Shareholder, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing our business independently after the Listing under the following measures:

(i) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall 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, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(iii) we have appointed three independent non-executive Directors, comprising more than one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(iv) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.