
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

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As of the Latest Practicable Date, GL Capital Group was interested in approximately 34.72% of the total issued share capital of our Company and was the single largest Shareholder of our Company. Following the completion of the Global Offering (assuming that the Over-allotment Option not exercised), GL Capital Group will be interested in approximately 28.78% of the total issued share capital of our Company. Therefore, GL Capital Group will remain as our single largest Shareholder, and our Company will not have any controlling shareholder after the completion of the Global Offering.

RELATIONSHIP WITH GL CAPITAL GROUP

GL Capital Group is a leading investor in China's healthcare industry and from time to time invests in certain pharmaceutical companies (the "**GL Pharmaceutical Portfolio Companies**"). As of the Latest Practicable Date, GL Capital Group (i) did not hold majority of the voting rights in the GL Pharmaceutical Portfolio Companies; (ii) was not involved in the daily operations of the GL Pharmaceutical Portfolio Companies; and (iii) did not have the right to appoint or remove a majority of the board of directors of the GL Pharmaceutical Portfolio Companies. Our Company's businesses are well delineated from those of GL Pharmaceutical Portfolio Companies as we consider our products are not in direct competition with products of GL Pharmaceutical Portfolio Companies, taking into account our product portfolio within our focused therapeutic areas of oncology and severe infection, the indications of our products target, and particularly our proprietary product Zadaxin, which is approved for the treatment of chronic hepatitis B and vaccine adjuvant in patients with impaired immunity and has gained recognition among doctors and patients as a trusted branded product.

INDEPENDENCE FROM GL CAPITAL GROUP

Having considered following factors, we believe that we are capable of carrying on our business independently from GL Capital Group and its close associates after completion of the Global Offering:

Management Independence

Our Board comprises one executive Director, six non-executive Directors and four independent non-executive Directors. Our daily operational and management decisions are made collectively by our senior management team led by Mr. ZHAO Hong, our executive Director.

Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any

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transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(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. In addition, we have a senior management team to carry out the business decisions of our Group independently.

Our Directors are satisfied that they are able to perform their directorship roles in our Company independently, and believe that we are capable of managing our business independently from GL Capital Group and its close associates after the Listing.

Operational Independence

Our Group holds or has free access to all the relevant material licenses, qualifications, intellectual properties and permits required for conducting our Group's business. Our Group has sufficient capital, facilities and employees to operate our business independently from GL Capital Group and its close associates. Our Group also has independent access to our customers and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

As part of the corporate reorganization, all the relevant intellectual properties held by SciClone US, a close associate of GL Capital Group and the predecessor of our Company, are being transferred to our Group. In light of the long time frame for the said transfer, on May 28, 2020, SciClone US and SPIL entered into an intellectual property license agreement (the "**IP License Agreement**"), pursuant to which SciClone US agreed to grant a perpetual, exclusive and royalty-free license to SPIL and its certain affiliates with respect to such relevant intellectual properties held by SciClone US to use and perform all necessary actions in business operation worldwide. See "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of our Group." As the highest applicable percentage ratio for the transactions contemplated under the IP License Agreement is less than 0.1% on an annual basis, such transaction would be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Despite entering into the IP License Agreement, SciClone US will ultimately transfer all the relevant intellectual properties to the Group, and we do not foresee any material legal impediment in this process.

Our Directors believe that we will be able to operate independently from GL Capital Group and its close associates after the Listing.

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

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functions independent from GL Capital Group, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the GL Capital Group. Our Company makes tax registration and pays tax independently with our own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of GL Capital Group and its close associates.

Our Directors confirm that, as of the Latest Practicable Date, there were no subsisting loans, guarantees or pledges provided by GL Capital Group and/or its close associates to our Group.

Based on the aforesaid, our Directors believe that we will be able to maintain financial independence from GL Capital Group and its close associates after the Listing.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As of the Latest Practicable Date, Mr. LI Zhenfu, being our non-executive Director, held non-executive directorships in certain GL Pharmaceutical Portfolio Companies, but was not involved in the daily management and operations of such companies.

Save as disclosed above, none of our Directors is interested in any businesses apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

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

- (a) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (c) we have appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance;

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- (d) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence;
- (e) we will provide trainings for our Directors and our senior management members on a regular basis, to ensure that they understand their obligations under the Listing Rules; and
- (f) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and GL Capital Group and/or our Directors to protect minority Shareholders' rights after the Listing.