
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, the equity interest of our Company was controlled as to 31.06% in aggregate by Dr. Gong through (i) Dragon Prosper Holdings Limited, his holding entity, and (ii) the share incentive platforms, namely Immunal Medixin US Limited, Immunal Medixin Cino L. Limited and Immunal Medixin Cino Limited, which are managed by a trustee who shall exercise voting rights in accordance with Dr. Gong’s instructions. Please refer to the paragraphs headed “History, Development and Corporate Structure – Share Incentive Scheme” for more details.

Immediately following the completion of the [REDACTED], Dr. Gong will be interested in approximately [REDACTED] of our issued share capital, assuming the [REDACTED] is not exercised. Therefore, Dr. Gong is our single largest Shareholder upon [REDACTED].

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Dr. Gong has confirmed that, as of the Latest Practicable Date, he did not have any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from Dr. Gong after the [REDACTED].

Management Independence

Our Directors are of the view that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently for the following reasons:

- (a) upon [REDACTED], our Board of Directors will consist of seven Directors, including Dr. Gong as an executive Director, three non-executive Directors and three independent non-executive Directors. Dr. Gong has not exerted any influence on the decision-making of any other Directors on the management of the Board. Each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by a senior management team. Our senior management team has substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

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- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in respect of any contract or arrangement or any other proposal whatsoever in which a Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, such Director shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting;
- (e) where a Shareholders' meeting is held to consider a proposed transaction in which Dr. Gong has a material interest, Dr. Gong shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and
- (f) our Company has appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

We have full rights to make business decisions and to carry out our business. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independently after [REDACTED]:

- (a) we are not reliant on trademarks owned by Dr. Gong;
- (b) we are the holder of all relevant licenses material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;
- (c) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments;
- (d) other than engaging Dr. Gong as our executive Director, our Directors do not expect that there will be any connected transactions between our Group and Dr. Gong or his associates upon or shortly after [REDACTED]; and
- (e) Dr. Gong does not have any interest which competes or is likely to compete with the business of our Group.

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Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on Dr. Gong. As of December 31, 2021, the amounts due to Dr. Gong were approximately RMB150,000. The aforesaid amounts due to Dr. Gong is expected to be fully repaid before [REDACTED]. Save as disclosed, no loans or guarantees provided by, or granted to, Dr. Gong were outstanding as of the Latest Practicable Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on Dr. Gong after the [REDACTED].

NON-COMPETITION UNDERTAKING

Dr. Gong provided a Non-Competition Undertaking in favour of us on [●], pursuant to which he undertook not to, either directly or indirectly, compete with our business, which includes novel drug development for cancer treatment (the “**Restricted Activities**”). Dr. Gong further irrevocably undertaken in the Non-Competition Undertaking that, during the term of the Non-Competition Undertaking, he will not, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with the Restricted Activities.

CORPORATE GOVERNANCE

Other than deviation from Code Provision C.2.1 as disclosed in “Directors and Senior Management – Corporate Governance,” our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with Shareholders.

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 Dr. Gong:

- (a) where a Shareholders meeting is to be held for considering proposed transactions in which Dr. Gong has a material interest, Dr. Gong shall not vote on the resolutions and shall not be counted in the quorum for the voting;
- (b) the Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if the Company enters into connected transactions with Dr. Gong or his associates, the Company will comply with the applicable Listing Rules;

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- (c) our Board will consist of three non-executive Directors and three 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, details of whom are set out in “Directors and Senior Management” individually and together possess the requisite knowledge and experience. All of our independent non-executive Directors are experienced. They will review whether there is any conflict of interests between the Group and Dr. Gong annually and provide impartial and professional advice to protect the interest of our minority Shareholders;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between the Group and Dr. Gong, Dr. Gong and/or the Company shall provide the independent non-executive Directors with all necessary information and the Company shall disclose the decisions of the independent non-executive Directors (including why business opportunities referred to it by Dr. Gong were not taken up) either in its annual report or by way of announcements;
- (e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company’s expenses; and
- (f) we have appointed China Securities (International) Corporate Finance Company Limited as our compliance adviser, 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 corporate governance.

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 Dr. Gong, and to protect minority Shareholders’ rights after the [REDACTED].