
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, (i) Dr. Li (the spouse of Dr. Zhang, through Microhealth Limited), (ii) Dr. Zhang (the spouse of Dr. Li, through Dtx Health Limited) and (iii) Meilong Limited (held as to approximately 44.67% by Dr. Zhang (including approximately 2.58% held through Dtx Health Limited) and a close associate of Dr. Zhang) hold approximately 32.93%, 26.21% and 4.48% of the total issued shares of our Company, respectively. Accordingly, Dr. Li, Dr. Zhang, Microhealth Limited, Dtx Health Limited and Meilong Limited control in aggregate approximately 63.62% of the issued shares of our Company and are deemed to be a group of Controlling Shareholders (“**Controlling Shareholders Group**”) of our Company.

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised), Dr. Li (through Microhealth Limited), Dr. Zhang (through Dtx Health Limited) and Meilong Limited will hold approximately [REDACTED], [REDACTED] and [REDACTED] of our total issued Shares, respectively. As a result, Dr. Li, Dr. Zhang, Microhealth Limited, Dtx Health Limited and Meilong Limited will in aggregate control approximately [REDACTED] of the issued shares of our Company and will remain as a group of Controlling Shareholders of our Company. See “History, Reorganization and Corporate Structure — Our Corporate and Shareholding Structure” for our shareholding structure immediately before and after the completion of the [REDACTED] and the [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS GROUP

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

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. See “Directors and Senior Management” for details.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders Group because:

- (i) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;
- (ii) our daily management and operations are carried out by a senior management team, all of whom have 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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- (iii) 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;
- (iv) all two non-executive Directors and three independent non-executive Directors are independent of our Controlling Shareholders Group and decisions of the Board require the approval of a majority vote from the Board;
- (v) 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) is (are) required to abstain from voting and shall not be counted towards the quorum for the voting; and
- (vi) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders Group which would support our independent management. Please see “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders Group.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders Group. Our Group holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders Group. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders Group.

Financial Independence

Our Group has its own independent financial, internal control and accounting systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders Group. We have made tax filings and paid tax independently of our Controlling Shareholders Group pursuant to applicable laws and regulations. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely independent non-executive Directors to oversee our accounting and financial reporting processes. We have adequate internal resources to support our daily operation and are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders Group. We do not expect to rely on our Controlling Shareholders Group or any of its close

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associates for financing after the [REDACTED] as we expect that our working capital will be funded by the [REDACTED] Investors’ investments as well as the [REDACTED] from the [REDACTED].

As of the Latest Practicable Date, there was no outstanding loan extended by our Controlling Shareholders Group or its close associates to us and there have been no guarantees provided by our Controlling Shareholders Group or its close associates for our benefit.

In view of our internal resources, our undrawn banking facilities, our net cash generated from operating activities and the estimated net [REDACTED] from the [REDACTED], our Directors confirm that we will not rely on our Controlling Shareholders Group for financing support after the [REDACTED]. Our Directors also believe that, upon [REDACTED], the sustainability of our business as demonstrated by our results of operation and financial position during the Track Record Period will enhance our ability to obtain or renew the loans and borrowings from banks independently without the support of our Controlling Shareholders Group and its close associates.

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, our Controlling Shareholders Group and its close associates after [REDACTED].

COMPETITION

Our Controlling Shareholders Group confirms that as of the Latest Practicable Date, it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman, the chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and communications with shareholders, details of which are set out in “Directors and Senior Management — Corporate Governance” and “Directors and Senior Management — Corporate Governance Code” in this Document.

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders Group:

- (i) where a transaction or arrangement of the Company is subject to Shareholders’ approval under the Listing Rules, if the Controlling Shareholders Group has a material interest in the transaction or arrangement, the Controlling Shareholders Group shall abstain from voting on the resolutions approving the transaction or

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arrangement at the general meeting and any votes cast by or on behalf of the Controlling Shareholders Group in contravention of such requirement shall not be counted in the quorum in the voting;

- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders Group or any of its associates, our Company will comply with the applicable Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Controlling Shareholders Group will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (v) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (vi) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;
- (vii) we have appointed TC Capital International Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (viii) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules; all of the members of our Audit Committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders Group, and to protect our minority Shareholders’ interests after [REDACTED].