
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the date of this Document, 6 Dimensions LP, 6 Dimensions Affiliates, Suzhou Frontline II and Suzhou 6 Dimensions will be interested in approximately 21.85%, 1.15%, 9.17% and 21.40% of the total issued share capital of our Company, respectively. As the respective investment committee of each of the 6 Dimensions Entities comprises of the same members and the investment decisions of the 6 Dimensions Entities are ultimately under the control of such members, the 6 Dimensions Entities, which will be in aggregate interested in approximately [REDACTED] of the total issued share capital of our Company immediately after the completion of [REDACTED] (assuming the [REDACTED] is not exercised and no further Shares are issued under the [REDACTED] Equity Incentive Plan), will constitute our Controlling Shareholders upon [REDACTED]. For more details of 6 Dimensions Entities, see “History, Development and Corporate Structure – [REDACTED] Investments”.

CLEAR DELINEATION OF BUSINESS

We are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

To the best knowledge of our Directors, none of the Controlling Shareholders or their respective close associates holds 10% or more equity interests, individually or collectively, in any company whose products are the same as the Core Product and key products of our Company, or whose business competes or is likely to compete, directly or indirectly, with our business, that requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. For more details, see “Directors and Senior Management”.

As of the Latest Practicable Date, Dr. Chen Lian Yong and Dr. Xie Qin, being non-executive Directors of our Company, are partners of 6 Dimensions Capital (通和毓承), the private equity fund management company under which our Controlling Shareholders are managed and act as directors, supervisors and/or advisors in companies invested by the Controlling Shareholders or their affiliated entities respectively. Other than above, there is no overlapping of directors or senior management between our Company and our Controlling Shareholders and their close associates.

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Despite the aforementioned overlapping Directors, our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their respective close associates for the following reasons:

- Dr. Chen Lian Yong and Dr. Xie Qin as non-executive Directors are responsible for supervising the management of our Board, but are not involved in the day-to-day management or operations of our business. Therefore, their positions in the Controlling Shareholders or their close associates will not affect the day-to-day management of our business;
- each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests;
- our daily management and operations are carried out by our executive Directors and an independent 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;
- none other two non-executive Directors, our executive Directors and senior management team holds any directorships or management positions in, or represents interests of, our Controlling Shareholders;
- we have three independent non-executive Directors which (i) account for one-third of the Board; (ii) do not and will not hold any directorships or management positions in our Controlling Shareholders and (iii) possess requisite industry knowledge and experience and are qualified to provide independent, sound and professional advice to our Company;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their close associates which would support our independent management. For more details, see “– Corporate Governance Measures”.

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.

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Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. In addition, we have also established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Our Directors believe that, upon [REDACTED], our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders or their close associates.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders or their close associates.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers. Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

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

- under the Articles of Association, where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders or their associates will not vote on the relevant resolutions;
- our Company has established internal control mechanisms to identify connected transactions. If our Company enters into connected transactions with our Controlling Shareholders or any of their associates upon [REDACTED], our Company will comply with the applicable Listing Rules;

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- 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 (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- our Controlling Shareholders 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 Annual Review;
- 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;
- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- we have appointed Somerley Capital 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.

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, and to protect our minority Shareholders’ interests after [REDACTED].