
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Dr. Tian, our founder of the Group, chairman of our Board, chief executive officer, chief scientific officer and executive Director, was able to exercise approximately 33.29% of the voting rights in our Company through: (i) 70,182,990 Shares directly held by him and (ii) an aggregate of 48,356,955 Shares held by our Employee Shareholding Platforms, namely Jiaxing Changxian, Jiaxing Changyu and Halo Investment II. Both Jiaxing Changxian and Jiaxing Changyu are limited partnerships incorporated in the PRC of which their respective executive partner is controlled by Dr. Tian. Halo Investment II is a company limited by shares incorporated in the BVI with Dr. Tian controlling the exercise of its entire voting rights in the Company. For further details on the Employee Shareholding Platforms, see “History, Development and Corporate Structure — Employee Shareholding Platforms.” Immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Dr. Tian, together with Jiaxing Changxian, Jiaxing Changyu and Halo Investment II, will be entitled to exercise the voting rights of approximately [REDACTED]% of the [REDACTED] issued share capital of our Company. Accordingly, Dr. Tian, Jiaxing Changxian, Jiaxing Changyu and Halo Investment II will remain as a group of Controlling Shareholders of our Company after the [REDACTED].

For background and biographical details of Dr. Tian, see “Directors, Supervisors and Senior Management — Board of Directors — Executive Directors.”

COMPETITION

As of the Latest Practicable Date, each of our Controlling Shareholders confirmed that none of them had any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our Group’s business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

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

Operational Independence

Our Company has full rights to make all decisions on and to carry out, our own business operations independently. We hold the licenses, intellectual properties, R&D facilities and qualifications necessary to carry on our current business through direct ownership. We have sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders and their respective close associates. We have access to third parties independently from and not connected with our Controlling Shareholders for sources of suppliers and business partners.

Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors.

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Our Directors are of the view that our other Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (i) as a part of our preparation for the [REDACTED], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, the Articles of Association provide that any Director, Supervisor and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;
- (ii) our daily management and operations are carried out by our executive Directors and 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 interest of the Group. For details of the industry experience of our executive Directors and senior management team, see “Directors, Supervisors and Senior Management”;
- (iii) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;
- (iv) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company’s best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (v) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have established our own financial department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, and internal control functions independent from our Controlling Shareholders and their respective close associates from a financial perspective, as well as an independent financial system to make the decisions based on our own business needs. We maintain bank accounts independently and do not share any bank accounts with our Controlling Shareholders and their respective close associates. We make tax registration and pay tax independently with our own funds. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-[REDACTED] Investments from third party investors independently. For details of the Pre-[REDACTED] Investments, see “History, Development and Corporate Structure.” As of the Latest Practicable Date, there were no loans, advances and balances due to and from our Controlling Shareholders or their respective close associates, nor any pledges and guarantees provided by our Controlling Shareholders or their respective close associates on our Group’s borrowing.

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Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- (i) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and 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 any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;
- (iii) our Board consists of a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board 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 to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (v) 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 expenses; and
- (vi) we have appointed Rainbow Capital (HK) Limited as our compliance advisor, who 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, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

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 Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].