
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the [REDACTED], our Company is owned as to 23.82% by Dr. Dai, 14.35% by Paradigm Investment and 2.27% by Paradigm Yinyuan. Both Paradigm Investment and Paradigm Yinyuan are indirectly controlled by Dr. Dai and Ms. Wu, through Beijing New Wisdom, being the sole general partner of Paradigm Investment and Paradigm Yinyuan and owned as to 99% by Dr. Dai and 1% by Ms. Wu, respectively. Paradigm Chuqi (whose general partner is Beijing New Wisdom) owns 59.59% limited partnership interest in Paradigm Investment. Paradigm Tianqin (whose general partner is Beijing New Wisdom) owns 37.92% limited partnership interest in Paradigm Yinyuan. Accordingly, Dr. Dai as our Controlling Shareholder, by himself and through his close associates, Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, controlled approximately 40.44% of our total issued share capital as of the Latest Practicable Date, and together, they constitute our Controlling Shareholders (as defined under the Listing Rules) before the [REDACTED]. As confirmed by Sequoia Capital China and Ms. Wu, Ms. Wu does not have any shareholding or partnership interest in SCC Venture V-Mars(HK) Limited, Sequoia Hanchen, Sequoia Mingde and Sequoia Zhisheng, which are the existing shareholders of the Company.

Immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised, Dr. Dai (by himself) and through his close associates, being Ms. Wu, Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin will control approximately [REDACTED]% of our total issued share capital and they will remain as our Controlling Shareholders upon [REDACTED].

For details of Beijing New Wisdom, Paradigm Investment, Paradigm Yinyuan, Paradigm Chuqi and Paradigm Tianqin, see the sections headed “Definitions” and “History, Development and Corporate Structure.”

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders and their close associates after the [REDACTED], taking into account the factors below.

Management Independence

We are able to carry on our business independently from the Controlling Shareholders from a management perspective. Our Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

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- (b) 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;
- (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 the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders and their close associates after the [REDACTED].

Operational Independence

We do not rely on the Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently from the Controlling Shareholders and their close associates.

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Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on the Controlling Shareholders and their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED].

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

There is no outstanding financial guarantee/assistance provided by our Controlling Shareholders to our Group and vice versa as of the Latest Practicable Date, nor do we have any outstanding share pledges or guarantees provided by our Controlling Shareholders and their respective close associates on our borrowings.

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

INTERESTS OF THE CONTROLLING SHAREHOLDER IN OTHER BUSINESSES

Our Controlling Shareholders and/or our Directors may, from time to time, make minority investments or hold non-executive board positions in entities that operate in the broader industries in which our business segments also operate. As our Controlling Shareholders and/or Directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our Controlling Shareholders will not inject any of the interested entities into our Group; and to the extent our Directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our Directors, as a group, and signifies their passion for the industries in which we operate.

Save and except for the interests of the Controlling Shareholders in our Company and its subsidiaries, the Controlling Shareholders and the Directors confirm that as of the Latest Practicable Date, they 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, which would require disclosure under Rule 8.10 of the Listing Rules.

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CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

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

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the 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;
- (e) 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;
- (f) 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 expenses; and
- (g) we have appointed Guotai Junan Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with 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 the Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].