

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately before the completion of the [REDACTED], Mr. Shan and Ms. Zhou, by virtue of the concert party agreement among them, were collectively entitled to control the voting rights of approximately 80.64% of our total issued share capital through Shanghai Puhai, Shanghai Senrui⁽¹⁾ and Shanghai Yuchao⁽²⁾ holding approximately 45.97%, 17.86% and 16.80% of the issued share capital of our Company, respectively.

On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure entities under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company. See the section headed "History, Development and Corporate Structure — The Concert Party Group" in this document for details.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Shan and Ms. Zhou will be entitled to exercise or control the exercise of an aggregate of approximately [REDACTED]% of the voting power at general meetings of our Company. Therefore, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Notes:

- (1) As of the Latest Practicable Date, Shanghai Senrui was owned as to i) 44.67% by Mr. Shan as its sole general partner and ii) 45.49% and 9.84% by Ms. Zhou and Mr. Chen Zhixin (陳志新) ("Mr. Chen") (an Independent Third Party), as its limited partners. As Mr. Chen is not involved in the management of Shanghai Senrui as a limited partner, has no concert party arrangement with Mr. Shan and Ms. Zhou and is only entitled to the passive economic interest in Shanghai Senrui, Mr. Chen should not be treated as a controlling shareholder of our Company.
- (2) As of the Latest Practicable Date, Shanghai Yuchao was owned as to approximately i) 37.85% by Mr. Shan as its sole general partner; ii) 41.63% by Ms. Zhou as its limited partner and iii) 20.52% by 36 individuals who are current employees of our Company as its limited partners. As these individuals are not involved in the management of Shanghai Yuchao, have no concert party arrangement with Mr. Shan and Ms. Zhou and are only entitled to the passive economic interest in Shanghai Yuchao, they should not be treated as controlling shareholders of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Board consists of seven Directors, namely four executive Directors and three independent non-executive Directors. Mr. Shan, one of our Controlling Shareholders, is an executive Director, chairman of the Board and chief executive officer. Ms. Zhou, one of our Controlling Shareholders, is also an executive Director.

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders from a management perspective for the following reasons:

- (a) Mr. Shan and Ms. Zhou currently serve as a director and a supervisor of Shanghai Puhai, respectively. In addition, Mr. Shan currently serves as the general partner of Shanghai Yuchao and Shanghai Senrui. Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao are the shareholding platforms and do not have any business other than its shareholding in the Company. Other than above, our executive Directors and all our senior management members do not hold any management position and/or directorship in the Controlling Shareholders Group or its close associates (other than our Group) as of the Latest Practicable Date;
- (b) our daily management and operations are carried out by a senior management team, all of whom have relevant experience in relation to their responsibilities, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this document;
- (c) 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 our Director and his/her personal interests. 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;
- (d) 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; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance" in this section.

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 our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We do not rely on our Controlling Shareholders and their respective 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 our Controlling Shareholders and their respective 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, certificates, facilities and intellectual property rights 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 of our Controlling Shareholders and their respective close associates.

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 in charge of our treasury function. We do not expect to rely on our Controlling Shareholders and their respective close associates for financing after the [REDACTED] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [REDACTED] from the [REDACTED].

In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by our Controlling Shareholders and their respective close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the [REDACTED].

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other 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.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "Corporate Governance Code"), which sets out principles of good corporate governance.

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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:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which any Shareholders or any of their respective associates has a material interest, the interested Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders and their respective close associates, our Company will comply with the applicable Listing Rules;
- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors, Supervisors and Senior Management" in this document;
- (e) 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
- (f) we have appointed Haitong International 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 existing and potential conflicts of interest, and to protect minority Shareholders' interests after the [REDACTED].