OVERVIEW

As of the Latest Practicable Date, Mr. HUANG Yuesheng, Mr. HU Dingfei and Mr. YU Xiecai were directly interested in and entitled to exercise approximately 16.09%, 8.34% and 8.12%, respectively, of the voting right at our general meetings. As detailed in "History, Development and Corporate Structure — Acting in Concert" in this document, in December 2018, Mr. HUANG Yuesheng, Mr. YU Xiecai and Mr. HU Dingfei entered into an acting-in-concert agreement, pursuant to which, Mr. HUANG Yuesheng, Mr. HU Dingfei and Mr. YU Xiecai were and will be deemed as a group of Shareholders acting in concert as of the Latest Practicable Date and after completion of the [REDACTED]. Mr. HUANG Yuesheng acts as the general partner of Wehand Tongyuan No.1, Wehand Tongyuan No.2, Wehand Tongyuan No.3, Jiujiang Ruida and Jiujiang Ruihe, and is accordingly entitled to exercise the respective voting rights attached to the Shares held by them, which represents 1.57%, 1.57%, 0.78%, 3.92% and 15.28% of the voting rights at our general meetings as of the Latest Practicable Date, respectively. Therefore, as of the Latest Practicable Date, Mr. HUANG Yuesheng, Mr. HU Dingfei, Mr. YU Xiecai, Wehand Tongyuan No.1, Wehand Tongyuan No.2, Wehand Tongyuan No.3, Jiujiang Ruida and Jiujiang Ruihe, directly and indirectly, were interested in and entitled to exercise a total of approximately 55.67% of the voting right at our general meetings.

Accordingly, immediately following completion of the [REDACTED], each of Mr. HUANG Yuesheng, Mr. HU Dingfei, Mr. YU Xiecai, Wehand Tongyuan No.1, Wehand Tongyuan No.2, Wehand Tongyuan No.3, Jiujiang Ruida and Jiujiang Ruihe will together constitute a group of our Controlling Shareholders under the Listing Rules and will be entitled to exercise approximately [REDACTED]% of the voting power at our general meetings (assuming the [REDACTED] is not exercised).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group will be capable of carrying out our business independently from our controlling Shareholders and their respective close associates after the [REDACTED] for the reasons set out below.

Management Independence

Upon [REDACTED], our Board will comprise nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our Board of Directors and senior management collectively, most of whom have served our Group for a significant period of time and have substantial and extensive relevant industry experience and expertise.

Our Directors consider that our Board and senior management will be able to function independently from our Controlling Shareholders and their respective close associates after the [REDACTED] for the following reasons:

(i) other than Mr. HUANG Yuesheng, none of the Directors or members of the senior management of our Company holds leading roles in any members of the Controlling Shareholders;

(ii) each of our Director is aware of his or her fiduciary duties and responsibilities under the Listing Rules as a director of a [REDACTED] issuer, which require, among other things, that he or she acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(iii) 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 our Group. For details of the industry experience of our executive Directors and senior management team, please refer to the section headed "Directors and Senior Management" in this document;

(iv) our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. Our independent non-executive Directors are not associated with our controlling Shareholders or their respective close associates, which ensures that decisions of our Board are made only after due consideration of independent and impartial opinions;

(v) our independent non-executive Directors individually and collectively possess the requisite knowledge, experience and competence to provide a balance of potentially interested Directors with a view to promote the interests of our Company and our Shareholders as a whole;

(vi) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;

(vii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close 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.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently of our Controlling Shareholders and their respective close associates after [REDACTED].

Operational Independence

We are in possession of all technologies relating to our Group's business all requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions.

We have a full-time management team and team of staff to carry out its operation and administration independently from the Controlling Shareholders. We have established a complete organizational structure, comprising various separate departments each charged with specific responsibilities. The support functions comprising administrative management, finance product development, production, quality control, compliance and human resource management will also continue to be handled by a team of staff employed directly by us. We have also established a set of internal control procedures and adopted corporate governance measures to facilitate the independent and effective operation of our business.

Based on the above, our Directors are satisfied that our Group is able to operate independently from members of the Controlling Shareholders and their respective close associates.

Financial Independence

We have the ability to operate independently from our Controlling Shareholders and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an Audit Committee comprising of independent non-executive Directors and non-executive Directors to oversee our accounting and financial reporting processes. We maintain our bank accounts independent from our Controlling Shareholders or their respective close associates. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, the outstanding balance of bank loans guaranteed by our Controlling Shareholders and their close associates was approximately RMB145,650,000, comprising 14 loan facilities, three of which had outstanding balances of RMB31.35 million, RMB30 million and RMB19.5 million, respectively, and each of the remaining 11 facilities had an outstanding balance not exceeding RMB10 million. Our Group expects to release such guarantees by our Controlling Shareholders before [REDACTED]. Save as disclosed above, there was no outstanding loan, advance or balance of a non-trade nature due to or from, nor any pledge or guarantee provided by, our Controlling Shareholders or their respective close associates.

We do not rely on our Controlling Shareholders or their close associates to provide financial assistance to our Group. We have independent access to third party financing and our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Controlling Shareholders and their respective close associates after [REDACTED].

COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates was interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. 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.

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders and their respective close associates:

(i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which any member of our Controlling Shareholders or any of their associates has a material interest, the relevant member in our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum for the voting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with any member of our Controlling Shareholders or any of their associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders' approval requirements (if applicable) under the Listing Rules;

(iv) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, 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. They are committed to providing experienced and professional advice to protect the interests of our minority Shareholders;

(v) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(vi) our Controlling Shareholders will provide our independent non-executive Directors with all relevant financial, operational and market and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(vii) our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(viii) we have established our Audit Committee, Strategy Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules;

(ix) where our Directors reasonably request for the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(x) we have appointed Rainbow Capital (HK) Limited as our compliance advisor, which 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.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage existing and potential conflict of interest, and to protect minority Shareholders' interests after the [REDACTED].