OUR SINGLE LARGEST SHAREHOLDERS GROUP

As of the Latest Practicable Date and without taking into account the [**REDACTED**], Dr. Pan, the founder, Chairman of the Board, executive Director, and general manager, is entitled to exercise approximately 28.28% voting rights in our Company through (i) 1,515,796 Shares directly held by him, representing approximately 6.53% voting rights in our Company; (ii) 2,282,584 Shares through Beijing Junyida, representing approximately 9.84% voting rights in our Company, and (iii) 2,762,405 Shares through the Employee Incentive Platforms (i.e., Beijing Heweida, Shanghai Xiankeda and Hangzhou Shiweida) in aggregate, representing approximately 11.91% voting rights in our Company. Beijing Yangyuan, a company wholly owned by Dr. Pan, is the sole general partner of each of the Employee Incentive Platforms, thus entitled to exercise the voting rights held by each Employee Incentive Platform.

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] and the [**REDACTED**] are not exercised), Dr. Pan will be directly and indirectly entitled to exercise approximately [**REDACTED**]% voting rights in our Company in aggregate. Accordingly, Dr. Pan, Beijing Junyida, Beijing Yangyuan and the Employee Incentive Platforms will be members of our Single Largest Shareholders Group upon the [**REDACTED**]. There will be no controlling shareholder of our Company under the Listing Rules upon [**REDACTED**].

For further details, see "History, Development and Corporate Structure" and "Directors and Senior Management" in this Document.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Single Largest Shareholders Group and their close associates upon and after the [**REDACTED**].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to franchisees and suppliers, as well as our own registered patents which can be used for producing our products. We have a team of senior management to operate the business independently from our Single Largest Shareholders Group and their close associates. We hold the licenses, intellectual property rights and qualifications necessary to carry on our principal business. We also have access to third parties independently from, and not connected with, our Single Largest Shareholders Group for sources of suppliers, franchisees and business partners, and have sufficient capital, facilities and employees to operate our business independently from our Single Largest Shareholders Group and their close associates.

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

Management Independence

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

Our 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 Single Largest Shareholders Group and their respective close associates for the following reasons:

(a) each of our Directors is aware of his or her fiduciary duties as a director, which require, 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;

(b) all other members of the Board and senior management have no other relationship with the Single Largest Shareholders Group and their respective close associates. They have substantial experience in the industry as further described in the section headed "Directors and Senior Management", which will enable them to discharge their duties independently from the Single Largest Shareholders Group;

(c) 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; and

(d) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or Single Largest Shareholders Group or any of their respective close associates have a material interest, the relevant Directors or our Single Largest Shareholders Group 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 the internal financial department with a team of finance staff and an independent audit, accounting and financial management system independent from our Single Largest Shareholders Group and their respective close associates. We have also established an independent financial system to make the decisions based on our own business needs.

In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Single Largest Shareholders Group and their respective close associates. During the Track Record Period and up to the Latest Practicable Date, we had received the 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 or from our Single Largest Shareholders Group or their respective close associates, nor were there any pledges and guarantees provided by and to our Single Largest Shareholders Group or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Single Largest Shareholders Group and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Shareholders Group or any of their respective close associates has a material interest, our Single Largest Shareholders Group will not vote on the resolutions and shall not be counted in the quorum in the voting;

- our Group has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if any transaction is proposed between our Group and our Single Largest Shareholders Group 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;

- our Board consists of a balanced composition of executive Directors, non-executive Director 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 Single Largest Shareholders Group and provide impartial and professional advice to protect the interests of our minority Shareholders;

- 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 Rainbow Capital (HK) Limited as our Compliance Adviser, 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 Single Largest Shareholders Group, and to protect our minority Shareholders' interests after the [**REDACTED**].