OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Maoyuanchang Holdings held approximately 46.27% of our Company, and Maoyuanchang Holdings was in turn owned as to (i) 65% by Hangzhou Dashengchang, a company wholly-owned by Mr. Jin, and (ii) 10% by Hangzhou Shuangzhou, a limited partnership controlled by Mr. Jin as the general partner and also held as to 98% by Mr. Jin and 2% by Ms. Peng.

As at the Latest Practicable Date, Ms. Peng and Hangzhou Maosifa held direct interest of approximately 24.52% and 7.59% in our Company, respectively. Hangzhou Maosifa is a limited partnership controlled by Mr. Jin as the general partner and also owned as to approximately 67.35% by Mr. Jin. Mr. Jin and Ms. Peng are spouse. For further details of Mr. Jin and Ms. Peng, see "Directors and Senior Management – Board of Directors" in this Document.

Accordingly, as at the Latest Practicable Date, Maoyuanchang Holdings, Hangzhou Dashengchang, Hangzhou Shuangzhou, Mr. Jin, Ms. Peng and Hangzhou Maosifa were together entitled to control approximately 78.38% of the voting rights of our Company, and are therefore regarded as a group of Controlling Shareholders of our Company.

Immediately following the completion of the **[REDACTED]** and the Conversion of **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised), Maoyuanchang Holdings, Hangzhou Dashengchang, Hangzhou Shuangzhou, Mr. Jin, Ms. Peng and Hangzhou Maosifa will together be entitled to control the exercise of [63.34]% voting rights of the enlarged issued share capital of our Company and therefore will remain a group of Controlling Shareholders of our Company.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of our Controlling Shareholders and Directors confirms that he/she, and his/her respective close associates do not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying out our business independently from, and does not place undue reliance on, our Controlling Shareholders and their respective close associates after the **[REDACTED]**, taking into account the following factors:

Management Independence

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Although each of Mr. Jin and Ms. Peng is an executive Director, and both of them comprise our group of Controlling Shareholders, our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. Also, Mr. Jin and Ms. Peng have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management and they will continue to focus on our Group's business. When performing their duties as Directors, they have been and will continue to be supported by the separate and senior management team of the Group. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors and Senior Management" in this Document for further details.

In addition, although Mr. Jin and Ms. Peng are our Controlling Shareholders, we consider that our Board and members of the senior management will function independently from our Controlling Shareholders and their respective close associates because of the following reasons:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) three out of our nine Directors are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. We believe our independent non-executive Directors will be able to exercise their independent judgement to the decision-making process of our Board;

(c) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or our Controlling Shareholders or any of his or her close associates have a material interest, the relevant Directors or our Controlling Shareholder and his or her close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting;

(d) our daily management and operations are carried out by a senior management team. Except Mr. Jin, Ms. Peng and Mr. Lei Jin, our senior management team members are independent from our Controlling Shareholders and their close associates, 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; 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. See "– Corporate Governance" in this section for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our business independently from our Controlling Shareholders after the **[REDACTED]**.

Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our business operations. We have our own departments specialising 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 close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

As at the Latest Practicable Date, save as the transactions disclosed in "Connected Transactions" in this Document, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and/or their close associates.

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

Financial Independence

Despite the fact that Ms. Peng, one of our Controlling Shareholders, also serves as our chief financial officer, our Company has established a dedicated finance department that operates independently with its own internal control, accounting, reporting and financial systems. Ms. Peng is assisted by an independent financial manager, Ms. He Shuwen, and a team of independent financial staff who are responsible for day-to-day financial operations, treasury functions, financial reporting, credit management and the implementation of internal control procedures of our Group.

Our finance department operates independently and is able to function without any undue influence from our Controlling Shareholders or their close associates. We have implemented a comprehensive internal control system covering key financial processes, including segregation of duties, authorisation hierarchies, reconciliation procedures, budgeting and forecasting controls, and risk assessment mechanisms for financial reporting and treasury activities. In addition, we have adopted standardised accounting policies based on applicable accounting standards and maintain an independent audit function to monitor the effectiveness of our financial controls on an ongoing basis. Further, upon **[REDACTED]**, the Audit Committee (comprising independent non-executive Directors only) will supervise our financial reporting process and internal control system, and will review the adequacy and effectiveness of our risk management and internal control measures on an ongoing basis.

Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. During the Track Record Period, our Group had certain non-trade related amounts due from Mr Jin and Ms. Peng. For details, see Note 31 to the Accountant's Report in Appendix I to this document. All such amounts have been fully settled as at the Latest Practicable Date.

As at the Latest Practicable Date, there were no outstanding loans, advances or balances due to our Controlling Shareholders and/or their respective close associates, and there were no outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their close associates in favour of our Group or vice versa upon the **[REDACTED]**. We engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their close associates, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their 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;

(b) our Company has established internal control mechanism to identify connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(c) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;

(d) we have appointed Quam Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;

(e) we have established the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;

(f) our Controlling Shareholders will confirm the status of their non-competing interest on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company;

(g) 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; and

(h) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.