RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, Mr. Zhang was entitled to exercise the voting rights attached to approximately 40.11% of the total issued share capital of our Company, among which, (i) Mr. Zhang (in his personal capacity) was interested in approximately 29.09% of our total issued share capital, and (ii) he was entrusted by, Mr. Lou, Mr. Huang, Mr. Tang, Shanghai Huachan and Jinggangshan Huazhuo to exercise the voting rights attached to approximately 11.02% of our total issued share capital pursuant to the Voting Rights Entrustment Agreement, for the purpose of further enhancing the decision making efficiency at the general meetings of the Company and ensuring the effective implementation of the strategy of our Group at the Shareholder level.

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Zhang, directly and indirectly through entrusted by Mr. Lou, Mr. Huang, Mr. Tang, Shanghai Huachan and Jinggangshan Huazhuo, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately [REDACTED]% of the issued share capital of our Company. Accordingly, Mr. Zhang is a Controlling Shareholder upon [REDACTED].

COMPETITION

None of our Directors, Controlling Shareholder or any of their respective close associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholder and his close associates after the [REDACTED].

Management Independence

The day-to-day management of the business of our Group rests primarily with our Board and our senior management as at the Latest Practicable Date. Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Zhang is our executive Director.

Although Mr. Zhang is executive Director, our management and operational decisions are made by all our executive Directors and senior management, all of whom have served our Group for a long time and all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors and Senior Management" for further details.

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 duties as a director and his/her personal interests. Further, we believe our independent non-executive Directors are all well-educated with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. We believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board.

In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. In case Mr. Zhang is required to abstain from voting at the Board meeting due to potential conflict of interest, the rest of our Board (particularly our independent non-executive Directors) will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently notwithstanding that Mr. Zhang is our executive Director.

Operational Independence

Although our Controlling Shareholder will retain a substantial interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry on our business, and has sufficient capital, equipment, access to customers and suppliers, and employees to operate our business independently from our Controlling Shareholder. In addition, our organizational structure is made up of individual departments, comprising, amongst others, different business groups, research and development center, marketing department, legal and securities department, finance department and general management department, etc. Each department takes specific areas of responsibility in our Group's operations. We have also established a set of internal control measures to facilitate the effective operation of our business.

Our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholder upon or shortly after the [REDACTED].

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholder and his close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system and we make financial decisions according to our own business needs.

We received financial assistance from Mr. Zhang by way of guarantee of certain outstanding bank and other borrowings of up to RMB280.0 million as at the Latest Practicable Date, all of which will be released and/or replaced by the corporate guarantee provided by our Company prior to the [REDACTED] as agreed by the relevant banks. Except for the foregoing, our Directors confirm that, as at the Latest Practicable Date, there were no subsisting loans, guarantees or pledges provided by our Controlling Shareholder and/or his close associates to our Group.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholder and his close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholder and his close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules, 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:

- as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Hong Kong Listing Rules. In particular, our Articles of Association provide that a Director shall not vote on any resolution in which such Director have a material interest in the company involved, and if the laws and regulations and the rules of the stock exchange where our Shares are [REDACTED] imposed any further restrictions on directors' attendance at board meetings and voting, such laws, regulation and rules shall be complied with;

- we have established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if we enter into connected transactions with our Controlling Shareholder or his associates, our Company will comply with the applicable Hong Kong Listing Rules;

- we are committed that our Board should include a balanced composition of executive 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 possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors and Senior Management — Board of Directors — Independent Non-executive Directors";

- in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholder and/or our Directors on the other hand, our Controlling Shareholder and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements; and

- we have appointed Fosun International Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Hong Kong Listing Rules including various requirements relating to directors' duties and corporate governance.