OVERVIEW

As at the Latest Practicable Date, Capital Group directly holds approximately 53.20% of our total issued share capital. Immediately upon **[REDACTED]**, Capital Group will directly hold approximately **[REDACTED]**% of our total issued share capital (assuming the **[REDACTED]** is not exercised). Therefore, Capital Group is and will continue to be our Controlling Shareholder immediately upon **[REDACTED]**.

CLEAR DELINEATION OF BUSINESS BETWEEN US AND CAPITAL GROUP

Principal Business of Our Group

On December 22, 2022, our Company was listed on the Shanghai Stock Exchange through an initial public offering (stock code: 601136). We operate as an independent listed entity and provide a diverse range of financial products and services to institutional, individual, and corporate clients in China. Our principal business lines comprise (i) asset management related business, (ii) investment related business, (iii) investment banking related business, and (iv) wealth management related business. We have established a comprehensive license system covering securities brokerage, securities investment advisory, securities underwriting and sponsorship, proprietary trading, securities asset management, margin financing and securities lending, sales of securities investment funds, and financial product distribution. For further details, see “Business — Our Business Model”.

Principal Business of Capital Group

Capital Group is a state-owned enterprise wholly-owned by the Beijing SASAC which is consistently ranking among China’s Top 500 Enterprises and recognized as a well-known brand in the PRC for capital investment. Capital Group is active in four primary business sectors: ecological and environmental protection, urban development, financial services and sports and culture. In the ecological and environmental protection sector, Capital Group has developed a comprehensive industry chain covering water, solid waste, air and energy, with operations spanning over 100 cities in China. The urban development segment focuses on market-oriented and policy-driven real estate development, infrastructure construction, rail transit, and expressways, while centering on urban development, operation, and renewal to generate value for cities. In financial services, Capital Group provides a range of services including securities (through its shareholding in our Group), guarantees and rural finance. Its culture and sports sector supports Beijing’s role as a national cultural hub, with business activities ranging from cultural park operations and content incubation to sports and cultural industry development

Certain subsidiaries of Capital Group are involved in investment and private equity fund management. These investment and private equity fund management activities are generally conducted as part of the principal business lines of Capital Group and its subsidiaries and are distinct from the regulated investment and asset management activities undertaken by our Group.

The investment activities of Capital Group and its subsidiaries are typically general investment that can be done by any corporation which do not require any specific regulatory approval or licensing from the CSRC or other securities industry authorities or subject to the comprehensive risk management and compliance requirements applicable to securities companies. In contrast, our Group are subject to stringent regulatory oversight by the CSRC and the China Securities Investment Fund Association, and must obtain the requisite licenses to conduct securities and asset management business.

In terms of the nature, the investment activities of Capital Group and its subsidiaries are generally aligned with the their core business focus, targeting sectors such as environmental protection, urban infrastructure and cultural industries. These activities are typically strategic or supportive in nature, serving the broader development objectives of Capital Group and its subsidiaries. Conversely, our Group’s investment activities are market-oriented, with no specific industry or regional restrictions, and are conducted in accordance with applicable securities laws and regulations.

Regarding private equity fund management, certain subsidiaries of Capital Group are registered as private fund managers with the AMAC. These entities are only required to complete registration procedures with AMAC but are not subject to the same comprehensive risk management and regulatory framework as regulated securities company. Our Group’s private equity fund management business, conducted through our subsidiaries, is governed by the Securities Investment Fund Law of the PRC, the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions and other relevant regulations. These businesses conducted by our Group are subject to unified management, compliance, and risk control systems established by our Company, and are overseen by both the CSRC and industry self-regulatory organizations.

In terms of business positioning, the private equity fund management activities conducted by Capital Group and its subsidiaries primarily focus on investments that support their group strategic sectors. The Company's private equity fund management business, on the other hand, is conducted on a market-oriented basis, with no specific industry or regional restrictions, and is fully integrated into the Company's overall risk management and compliance framework.

Given the difference in the nature of the investment and private equity fund management activities between Capital Group and its subsidiaries on one hand and our Group on the other hand, our Group has, in our ordinary course of business as a securities company, gas provided various asset management services to Capital Group and its subsidiaries during the Track Record Period, details of which are set out in "Connected Transactions".

During the Track Record Period, Capital Group did not refer any businesses or clients to our Group.

Based on the foregoing and having reviewed the business scope, operational licences, revenue contribution and strategic focus of Capital Group and its subsidiaries, our Directors are of the view that there is a clear business delineation between the Company and Capital Group , and that we do not face any actual or potential competition from Capital Group.

Capital Group confirms that as of the Latest Practicable Date, they did not have any interests in any businesses, apart from the business of our Group, which directly or indirectly competes or is likely to compete with the principal business of our Group which are required to be disclosed under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CAPITAL GROUP

Having considered the factors set out below, our Directors believe that we are capable of conducting our business independently of Capital Group and its close associates after the **[REDACTED]**:

Operational independence

Integrity of assets

We have an independent and complete set of assets relating to the operation of our securities business, including ownerships or use rights of land, buildings and intellectual properties (except certain logos bearing the name of Capital Group) and domain names. The ownership of our assets is completely separated from the assets of Capital Group and its close associates and there is no occupation of the Company's funds, assets and other resources by Capital Group.

Business independence

We hold all licences and permits for the conduct of our business. We have independent customer bases and an independent senior management team to engage in our respective business sectors, and do not rely on any referral of customers or businesses from Capital Group and its close associates. We own or have the right to use all the operational facilities relating to our business and we have sufficient capital, facilities and employees to operate our business independently.

We have from time to time provided asset management services, investment banking services and research and consulting services to Capital Group and its associates. We have also from time to time purchased financial products issued by Capital Group and its associates. Historically, the revenue generated from transactions between us and Capital Group and its associates accounted for approximately 0.79%, 0.40% and 0.29% of our total revenue for the three years ended December 31, 2023, 2024 and 2025, respectively, while the expenses incurred from the transactions between us and Capital Group and its associates accounted for approximately 0.31%, 0.27% and 0.03% of our total expenses for the three years ended December 31, 2023, 2024 and 2025, respectively. We expect certain connected transactions of our Group with Capital Group and/or its associates will continue after the **[REDACTED]**, details of which are set out in "Connected Transactions". All such transactions will be conducted on arm's length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules, and the pricing policy of our Group and our connected persons and not be prejudicial to the interests of any of the parties. Our Directors are of the view that such continuing connected transactions will not affect our operational independence as a whole. Notwithstanding the aforesaid transactions, our business operations are independent from that of Capital Group and its associates.

Operational structure independence

Pursuant to the Company Law and our Articles of Association, we have established a general meeting of shareholders, a board of directors, and other decision-making and supervisory bodies. We have appointed our own senior management personnel, including general manager, vice general managers, chief accountant (chief financial advisor), secretary to the Board, chief compliance officer, chief risk officer and chief information officer. We have also established sound internal operation and management structures as per our own needs and exercise our operation and management powers independently through our own functional departments which do not have affiliated relationships with the functional departments of Capital Group and its close associates and overlapping organizational structures with Capital Group and its close associates. We can formulate and execute operational decisions independently from Capital Group and its close associates.

For the reasons set out above, we believe that our operations are independent from Capital Group.

Financial independence

We operate in an independent manner financially and maintain a dedicated finance department. We have established an independent financial accounting system in accordance with applicable laws and regulations, make financial decisions autonomously, and our subsidiaries have also put in place independent financial accounting systems as well as financial management systems. There is no sharing of common financial personnel between us and Capital Group or its close associates. We maintain our own bank accounts, independently file and pay taxes in accordance with the law, and do not share bank accounts with Capital Group or its close associates. Guided by our development strategy, we make our own investment plans and fund allocations, free from any shareholder interference in our financial decisions or use of funds.

As at the Latest Practicable Date, there were no outstanding guarantees and loans provided by Capital Group and its close associates to us. We believe that we are capable of obtaining financing from external sources without reliance on Capital Group.

For the reasons set out above, we believe that we are financially independent from Capital Group and its close associates.

Management independence

Immediately upon **[REDACTED]**, our Board will consist of 13 Directors, including four executive Directors, four non-executive Directors and five independent non-executive Directors.

The following table sets out the positions held by one of our Directors in Capital Group or its close associates as at the Latest Practicable Date:

Name	Position in Company	Position held in Capital Group	Positions held in the subsidiaries of Capital Group
Ms. Qin Yi	Non-executive Director	General manager of the capital operations department (financial supervision department)	Director of Beijing Capital Eco-Environmental Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) (SSE: 600008); and Director of Beijing Capital Urban Development Group Co., Ltd.(北京首創城市發展集團有限公司)

Except for the individuals listed above, none of our Directors and senior management of our Company hold any position in Capital Group or its close associates, and they are independent from Capital Group.

Despite the overlapping positions as mentioned above, our Directors believe that our management can remain independent from Capital Group due to the following reasons:

(i) The directors above are not involved in our or any of our subsidiaries' daily operations;

(ii) we have five independent non-executive Directors (which meets the requirements of the Listing Rules) to protect the interests of our Company and our shareholders as a whole;

(iii) the rules of procedures of our Board have provisions for the avoidance of conflicts of interest in the decision-making process, which include but are not limited to Directors are required to abstain from voting on matters in which he or she has a material interest (including Directors who hold an office in the counterparty of a transaction);

(iv) our Directors are well aware of their fiduciary duties which, among other things, require them to act in the best interests of our Company and our shareholders as a whole; and

(v) save for the overlapping management personnel set out above, senior management personnel of the Company do not hold any positions or receive remuneration from Capital Group and its subsidiaries. The financial personnel of the Company do not hold concurrent positions in Capital Group and its subsidiaries (except the Company).

For the reasons set out above, we believe that our management team is independent from Capital Group.

NON-COMPETITION UNDERTAKING

On August 1, 2021, in connection with our A-share listing, Capital Group executed a non-competition undertaking in favour of us (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, Capital Group had undertaken, among others, that:

(i) as of the date of the Non-competition Undertaking, except for controlling the Company, Capital Group and the enterprises under its control did not control any other securities or futures companies that engage in the same or similar principal business as the Company;

(ii) as of the date of the Non-competition Undertaking, Capital Group and the enterprises under its control were not engaged in any business or operations that constitute competition with the Company;

(iii) from the date of signing the Non-competition Undertaking, neither it nor the enterprises under its control would, through establishment, acquisition, or other means, control any operating entity engaged in business that constitutes competition with us;

(iv) Capital Group will not use its status as our controlling shareholder or any other relationship to engage in any business activities that may harm the legitimate rights and interests of ours or our other shareholders; and

(v) if we further expand our business scope, Capital Group undertook that neither Capital Group nor the enterprises under its control would compete with our expanded business. If any situation arises that may lead to competition with our expanded business, Capital Group would take measures such as ceasing the competitive business, transferring the competitive business to us through lawful means, or transferring the competitive business to an unrelated third party, to safeguard our interests and eliminate potential competition.

The Non-competition Undertaking shall remain effective during the period in which Capital Group remains as our controlling shareholder under the PRC Company Law.

CORPORATE GOVERNANCE MEASURES

We will implement the following measures to manage any actual or potential conflicts of interest between the Company and Capital Group and to safeguard the interests of our Shareholders:

(i) our amended Articles provide that, where a Shareholders' meeting is convened to consider a matter in which a shareholder has a material interest, the relevant shareholder will abstain from voting on the relevant resolution(s) and will not be counted in the quorum. For details, see "Summary of Articles of Association" in Appendix III to this document;

(ii) our rules of procedures of our Board state if a Director is materially interested in a transaction, the Director must abstain from voting at the relevant Board meeting and will not be counted toward the quorum;

(iii) we have adopted a robust connected-transaction management policy and internal control procedures. All existing and future connected transactions with Capital Group and its associates will be conducted on normal commercial terms, in the ordinary and usual course of business, and subject to the reporting, announcement, annual review and, where applicable, independent shareholders' approval requirements under Chapter 14A—Connected Transactions of the Listing Rules;

(iv) our independent non-executive Directors will conduct an annual review of the Company's continuing connected transactions and confirm that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole;

(v) The independent non-executive Directors will also review information from Capital Group on its and its associates' compliance with the Non-competition Undertaking. Their conclusion will be disclosed in our interim and annual report;

(vi) Capital Group will undertake to provide all information requested by us which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Non-Competition Undertaking; and

(vii) We have appointed Innovax Capital Limited as our compliance advisor for the period commencing on the **[REDACTED]** and ending on the date of publication of our results for the first full financial year after **[REDACTED]**. The compliance advisor will provide advice on compliance with the Listing Rules, including those relating to corporate governance and connected transactions.