OUR CONTROLLING SHAREHOLDER GROUP

Immediately prior to the **[REDACTED]**, Mr. Li Zhigang (in his capacity as direct beneficial owner) and Wuhan Suneng (which was owned as to 0.30% by Wuhan Saineng as its sole general partner) directly owned 39.81% and 1.67% of the total issued share capital of our Company, representing 39.96% and 1.67% of the voting rights at general meetings of our Company (excluding 1,062,460 A Shares held by our Company as treasury Shares), respectively.

Given that Wuhan Saineng was owned as to 70% by Mr. Li Zhigang, Mr. Li Zhigang, Wuhan Suneng and Wuhan Saineng are presumed to be acting in concert and are considered to be our Controlling Shareholder Group, who collectively held 41.64% of the voting rights at general meetings of our Company (excluding A Shares held by our Company as treasury Shares) as of the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and **[REDACTED]**), our Controlling Shareholder Group will collectively hold approximately **[REDACTED]** of the voting rights at general meetings of our Company (excluding A Shares held by our Company as treasury Shares). Accordingly, Mr. Li Zhigang, Wuhan Suneng and Wuhan Saineng will remain as our Controlling Shareholder Group **[REDACTED]**.

Mr. Li Zhigang is our founder, executive Director, chairman of our Board and general manager of our Company. For biographical details of Mr. Li Zhigang, see "Directors and Senior Management – Board of Directors – Executive Directors" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholder Group and their respective close associates after **[REDACTED]**.

Management Independence

Our Board is composed of three executive Directors, one non-executive Director and three independent non-executive Directors. We also have six senior management members (three of which are our executive Directors). Mr. Li Zhigang, who is our Controlling Shareholder, also serves as our executive Director, the chairman of our Board and the general manager of our Company. Each of our Directors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of the day-to-day operations of our business. For details, see "Directors and Senior Management" in this document.

Our Directors consider that our Board and senior management are capable of managing our Group independently of our Controlling Shareholder Group for the following reasons:

(a) each Director is aware of his/her fiduciary duties as a member of our Board, which include, amongst others, acting for the benefit and in the best interests of our Company and avoiding any conflicts between his/her duties as a Director and his/her personal interests;

(b) in the event that any Director or any of his/her close associates has a material interest or potential conflict of interest in connection with any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, such Director(s) shall make a full and prompt disclosure of such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum.

(c) our Company is an A-share listed company and has established internal control mechanisms to identify and monitor connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. In the event of a potential conflict of interest arising from any transaction between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum of such meetings;

(d) our Group has adopted certain corporate governance measures to address and manage potential conflict of interests, see "– Corporate Governance Measures" in this section for further details;

(e) our Board comprises seven Directors, three of whom are independent non-executive Directors with extensive experience in various professions who are appointed pursuant to the requirements of the Listing Rules, and will bring independent judgement to the decision-making process of our Board;

(f) any connected transactions between our Group and our Controlling Shareholder Group are subject to the Listing Rules, which stipulates the requirements in relation to annual reporting, review, announcement, circular and independent shareholders' approval (where applicable); and

(g) the main functions of our Board include approving our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and managing our Company's day-to-day affairs. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational Independence

We have established our own organisational structure consisting of various separate departments each charged with specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, we have obtained and possess all relevant licences, permits, approvals and intellectual properties required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholder Group and their close associates **[REDACTED]**.

Financial Independence

Our finance department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholder Group or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

As of the Latest Practicable Date, our Group does not rely on any members of our Controlling Shareholder Group and/or their respective close associates for any provision of financial assistance. Our Directors confirm that as of the Latest Practicable Date, on one hand, none of the members of our Controlling Shareholder Group or their respective close associates provided any loans, guarantees or pledges to our Group and, on the other hand, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholder Group.

Based on the above, our Directors are of the view that our Group is able to operate with financial independence from our Controlling Shareholder Group and their close associates **[REDACTED]**.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholder Group, our Directors and their respective close associates confirm that they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholder Group and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

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

(b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules **[REDACTED]**;

(c) we are committed that our Board should include a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgement. Our independent non-executive Directors will be able to provide an impartial and external opinion to protect the interests of our **[REDACTED]**. For details of our independent non-executive Directors, see "Directors and Senior Management – Board of Directors – Independent non-executive Directors" in this document;

(d) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

(e) 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

(f) we have appointed Maxa Capital 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 internal controls.

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 Group and our Controlling Shareholder Group, and to protect our minority Shareholders' interests after **[REDACTED]**.