OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Liao was interested in approximately 59.21% of our total issued share capital, comprising (i) approximately 48.32% directly held by him and (ii) approximately 10.89% of our total issued share capital controlled by Mr. Liao in his capacity as the sole general partner of our employee shareholding platform, Shanghai Honghe. Accordingly, Mr. Liao and Shanghai Honghe constitute a group of Controlling Shareholders before the [**REDACTED**]. For details of the relationship among the group of our Controlling Shareholders and their shareholding in our Company, see the sections headed "History, Development and Corporate Structure" and "Substantial Shareholders."

Immediately following the completion of the [**REDACTED**] (assuming (i) the [**REDACTED**] is not exercised, (ii) no new Shares are issued under our Employee Incentive Scheme and (iii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]), Mr. Liao will continue to control, directly and indirectly (through Shanghai Honghe), the exercise of approximately [**REDACTED**] voting rights of the enlarged issued share capital of our Company. Therefore, Mr. Liao and Shanghai Honghe will remain as a group of Controlling Shareholders of our Company upon [**REDACTED**].

Mr. Liao is our chairman of the Board, executive Director and chief executive officer. See "Directors and Senior Management" for further details.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER COMPETING BUSINESSES

Our Controlling Shareholders confirmed that, as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Company's Directors are of the view that the Company will be capable of carrying on its business independently from the Controlling Shareholders and their respective close associates upon completion of the [**REDACTED**]. The independence of the Company is set out below in three aspects of management independence, operational independence and financial independence:

Management Independence

The day-to-day management of the business of our Group rests primarily with our Board and our senior management. Our Board consists of 11 Directors comprising four executive Directors, three non-executive Directors and four independent non-executive Directors. Although Mr. Liao is the chairman of our Board and the chief executive of our Company, our management and operational decisions are made by our Board and senior management members collectively.

We consider that our Company will function independently from the Controlling Shareholders for the following reasons:

- each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

- our management and operational decisions are made by the Board and senior management, all of whom have substantial experience in the industry in which we operate and in their respective areas of expertise. We have established sound internal control and decision-making mechanisms, whereby the senior management is accountable to the Board and is supervised by experienced independent non-executive Directors;

- four out of our 11 Directors are independent non-executive Directors who have extensive experience in various professional fields. They have been appointed in accordance with the requirements of the Listing Rules to ensure that the decision of our Board shall be made only after due consideration of independent and impartial opinions. We believe that the independent non-executive Directors will bring independent judgement to the Board's decision-making process;

- a Director shall not vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates is materially interested, and shall not be counted in the quorum present at the particular Board meeting; and

- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. Please refer to "— Corporate Governance Measures" below.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or our company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

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

Financial Independence

We have established an independent financial management and internal control system, enabling us to make financial decisions independently in accordance with our own business needs. We maintain an independent finance department responsible for daily financial management, fund operations and accounting, and have implemented a comprehensive internal audit system to ensure financial transparency and compliance. As we anticipate that our working capital will be derived from, among other things, operating activities, bank loans and the cash flows generated from the [**REDACTED**], we do not expect to rely on the Controlling Shareholders and their close associates for financing following the [**REDACTED**].

During the Track Record Period, our Controlling Shareholders and their respective close associates have provided guarantees (the "**Guarantees**") to 17 banks and financial institutions to secure certain bank loans and other borrowings to our Group for further business expansion ("**Guaranteed Loans**"). For further details of the bank loans and other borrowings and the corresponding guarantee from the Controlling Shareholders and their respective close associates, please see notes 27 and 34 to the Accountants' Report set out in Appendix I, respectively.

As of the Latest Practicable Date, we had a total outstanding Guaranteed Loans with principal amount of approximately RMB346.76 million. Our Directors are of the view that our Group remains financially independent of our Controlling Shareholders and their close associates for the following reasons:

(a) as of the Latest Practicable Date, we are in the process of obtaining release consent from all relevant banks and financial institutions, and 16 of them have agreed in principle to release the Guarantees with principal amount of approximately RMB345.96 million;

(b) the remaining amount of Guaranteed Loans of RMB795,000 will be fully repaid before the [**REDACTED**].

Taking into consideration the above, our Directors are of the view that we are financially independent from our Controlling Shareholders or their close associates.

CORPORATE GOVERNANCE MEASURES

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 Listing Rules. In particular, our Articles of Association provide that a Director shall not vote on any resolution in which such Director is connected to the company or individual involved;

- we have established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if we enter into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable 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 four independent non-executive Directors and 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 and our Controlling Shareholders and/or our Directors, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and the independent non-executive Directors shall review compliance with the non-competition undertakings, and our Company shall disclose the resolutions of the independent non-executive Directors either through interim and annual reports or by way of announcements; and

- we have appointed SPDB 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 Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, the Directors of the Company are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and to protect minority Shareholders' interests after the [**REDACTED**].