OVERVIEW

As of the Latest Practicable Date, (1) Ms. Wang Lili directly held approximately 25.33% of the total issued share capital of our Company; (2) Shanghai Lanyin, holding approximately 67.14% of the total issued share capital of our Company, is owned by Ms. Wang Lili and Mr. Wang Runji as to 55.00% and 44.50%, respectively; and (3) Qingzhou Tanwen, holding approximately 4.17% of the total issued share capital of our Company, in which Ms. Wang Lili, as the general partner of Qingzhou Tanwen, is entitled to exercise the voting rights attached to the Shares of our Company held by Qingzhou Tanwen.

Based on the above, Ms. Wang Lili, Mr. Wang Runji, Shanghai Lanyin and Qingzhou Tanwen are regarded as a group of our Controlling Shareholders for the purposes of the Listing Rules. As of the Latest Practicable Date, our group of Controlling Shareholders were entitled to exercise the voting rights attached to approximately 96.64% of the total issued share capital of our Company. Immediately upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Ms. Wang Lili, Mr. Wang Runji, Shanghai Lanyin and Qingzhou Tanwen will be entitled to exercise the voting rights attached to approximately [**REDACTED**]% of our total issued share capital, and will continue to constitute a group of our Controlling Shareholders.

COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the [**REDACTED**].

Management Independence

Our business is managed and conducted by the Board and senior management. Our Board consists of four executive Directors and three independent non-executive Directors. For more information, see "Directors and Senior Management." Notwithstanding the fact that one of our executive Directors, Ms. Wang Lili, holds an overlapping directorship in Shanghai Lanyin, and serves as the general partner of Qingzhou Tanwen, our Directors believe that the Board and senior management of our Company are able to operate our business independently from our Controlling Shareholders for the following reasons:

(i) both Shanghai Lanyin and Qingzhou Tanwen are shareholding platforms with no substantive business operations. Although Ms. Wang Lili serves as a director of Shanghai Lanyin and acts as the general partner of Qingzhou Tanwen, she doesn't need to be involved in the day-to-day operations of either entity and does not receive any remuneration in connection with these roles;

(ii) our Directors are aware of their fiduciary duties as a director, which require, among other things, that they act for the benefits and in the interests of our Company and all our Shareholders as a whole and do not allow any conflict between their duties as a Director and their personal interests;

(iii) our daily management and operations are carried out by our executive Directors and senior management team. They have substantial experience in the industry in which our Company is engaged and will therefore be able to make impartial and sound business decisions that are in the best interests of our Group;

(iv) our Board acts collectively by majority vote in accordance with our Articles of Association and applicable laws and regulations, and no single Director is able to make any decisions unless authorized by the Board;

(v) our Board has a balanced composition of executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our independent non-executive Directors account for more than one-third of the Board, and do not and will not take up any position with our Controlling Shareholders. All of our three independent non-executive Directors are independent from our Controlling Shareholders and have extensive experience in their respective areas of expertise. For details, see "Directors and Senior Management." All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules, and certain matters of our Company must always be referred to the independent non-executive Directors for review, ensuring the decisions of the Board are made only after the due consideration of independent and impartial opinions;

(vi) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and a Director or their respective close associate, the interested Director(s) is required to declare the nature of such interests before voting at the relevant Board meetings of our Company in respect of such transactions; and

(vii) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and Listing Rules, including various requirements relating to Directors' duties and corporate governance.

Operational Independence

We are in possession of all technologies relating to our Group's business, and all requisite qualifications and approvals for conducting all our business. We have independent access to customers and suppliers and, therefore, are not dependent on our Controlling Shareholders for any significant amount of our revenue, research and development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as staffing, administration, finance, internal audit, research and development, sales and marketing, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Following the [**REDACTED**], we do not expect to rely on financing from our Controlling Shareholders or their close associates. We expect our working capital requirements will be met through a combination of cash flows generated from operating activities, bank borrowings, equity financing, and the [**REDACTED**] from the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Upon the [**REDACTED**], we will comply with the provisions of the Corporate Governance Code in Appendix C1 to the 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 between our Group and the Controlling Shareholders:

(i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

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

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with any member of our Controlling Shareholders or any of their associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders' approval requirements (if applicable) under the Listing Rules;

(iv) our independent non-executive Directors will provide impartial and professional advice to protect the interests of our minority Shareholders;

(v) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules;

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

(vii) we have appointed Somerley Capital Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.