OVERVIEW

As of the Latest Practicable Date, the Company was held as to approximately (i) 0.14% directly by Mr. Cheng, (ii) 2.38% directly by Ms. Yang, (iii) 17.57% by Yangzhou Xinruilian, (iv) 3.81% by Converge Achievement, (v) 1.26% by Potential International, and (vi) 1.12% by Hefei Xincheng. Yangzhou Xinruilian was held as to 14% by Ms. Yang as its general partner and 80% by Hefei Bairuifa as a limited partner. Hefei Bairuifa was held as to 0.7% by Ms. Yang as its general partner and 99% by Bai Rui Fa Investment as a limited partner. Bai Rui Fa Investment was controlled by Bai Rui Fa Holding, which was in turn wholly owned by Mega Rich. Mega Rich was wholly owned by Mr. Cheng. Each of Converge Achievement, Potential International and Hefei Xincheng was also controlled by Mr. Cheng. Mr. Cheng and Ms. Yang are spouses. Accordingly, as of the Latest Practicable Date, Mr. Cheng and Ms. Yang, collectively, controlled approximately 26.28% of the total issued share capital of the Company. For a simplified corporate structure chart of the Group before the [REDACTED], see "History and Development" in this document.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan), Mr. Cheng and Ms. Yang, collectively, will control approximately [REDACTED]% of the total issued share capital of the Company. Upon the [REDACTED], Mr. Cheng, Ms. Yang, Yangzhou Xinruilian, Hefei Bairuifa, Bai Rui Fa Investment, Bai Rui Fa Holding, Mega Rich, Converge Achievement, Potential International and Hefei Xincheng will together constitute the Single Largest Group of Shareholders.

INTEREST IN COMPETING BUSINESS

Each member of the Single Largest Group of Shareholders confirms that, as of the Latest Practicable Date, he/she/it did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Each of Mr. Cheng, Ms. Yang and Yangzhou Xinruilian has provided a non-competition undertaking in favor of the Company, pursuant to which each of Ms. Cheng, Ms. Yang and Yangzhou Xinruilian has undertaken that, among other things:

(i) each of Mr. Cheng, Ms. Yang and Yangzhou Xinruilian and other enterprises directly or indirectly controlled by any of them shall not, whether within or outside Chinese mainland, directly or indirectly and in any form, engage in or participate in any business or activity that competes with the business of the Group, hold any interest in any company, enterprise or other economic organization whose business competes with the business of the Group, or provide any assistance in respect of funding, business, technology, management, trade secrets or other matters to any company, enterprise, other economic organization or individual whose business competes or may compete with the business of the Group;

(ii) each of Mr. Cheng, Ms. Yang and Yangzhou Xinruilian shall not utilize he/she/its dominant position in the Company to engage in any business activities that are detrimental to the interests of the Company or other Shareholders;

(iii) in the event of any breach of the above undertakings by Mr. Cheng, Ms. Yang or Yangzhou Xinruilian, he/she/it shall publicly disclose the specific reasons for non-performance of the above undertakings at the general meeting of the Company and in the designated publications of the CSRC, apologize to the Shareholders and the investing public, and take effective remedial measures within the stipulated time limit. In addition, to the extent that any such breach causes economic loss to the Company or other Shareholders, he/she/it shall be liable to compensate the Company and other Shareholders for all losses suffered as a result thereof; and

(iv) the above undertakings shall be effective until Mr. Cheng, Ms. Yang or Yangzhou Xinruilian ceases to be a controlling shareholder or actual controller of the Company (as defined under the PRC Company Law), or the Company ceases to be listed on the STAR Market.

INDEPENDENCE FROM THE SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, the Directors are satisfied that the Company is capable of carrying on business independently from the Single Largest Group of Shareholders and their close associates after the [REDACTED].

Management Independence

The Group's business is managed and conducted by the Board and senior management of the Company. Upon [REDACTED], the Board will consist of nine Directors comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. For more information, see "Directors and Senior Management."

Except for Mr. Cheng, an executive Director, chairman of the Board and general manager of the Company, none of the Directors or members of the senior management of the Company is a member of the Single Largest Group of Shareholders or holds any directorship or executive position in the Single Largest Group of Shareholders or their respective close associates.

The Directors consider that the Board and senior management of the Company are capable of functioning independently of the Single Largest Group of Shareholders for the following reasons:

(i) the Group's daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which the Company is engaged, and will therefore be able to make business decisions that are in the best interest of the Group;

(ii) each Director is aware of her/his fiduciary duties as a Director which require, among other things, that he/she must act for the benefit and in the interest of the Company and its Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;

(iii) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;

(iv) the Group has four independent non-executive Directors who individually and collectively possess the requisite knowledge and experience. The Directors believe that the independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of the Board and protect the interest of the Company and its Shareholders as a whole;

(v) as an A-share listed company, the Company has formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shanghai Stock Exchange. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and

(vi) the Company has adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the Single Largest Group of Shareholders which would support the Group's independent management. See "— Corporate Governance Measures" in this section for further information.

Based on the above, the Directors are satisfied that the Board and senior management of the Company as a whole are capable of performing their managerial roles in the Company independently and managing the Group's business independently from the Single Largest Group of Shareholders after the [REDACTED].

Operational Independence

The Group has full rights to make business decisions and to carry out its business independently from the Single Largest Group of Shareholders. The Group has complete production, research and development, management, purchasing and sales business systems, capable of conducting business independently in the market. On the basis of the following reasons, the Directors consider that the Company will continue to be operationally independent from the Single Largest Group of Shareholders and their respective close associates after the [REDACTED]:

(i) the Group has sufficient capital, facilities, equipment and employees to operate its business independently from the Single Largest Group of Shareholders;

(ii) the Group has independent access to its customers and suppliers;

(iii) the Group has its own administrative and corporate governance infrastructure, including its own accounting, legal and human resources departments; and

(iv) none of the Single Largest Group of Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of the Group.

Based on the above, the Directors believe that the Group is able to operate independently from the Single Largest Group of Shareholders.

Financial Independence

The Group has independent internal control and accounting systems. The Group also has an independent finance department and specialized personnels responsible for discharging the financial management, accounting, reporting, funding and treasury function of the Group. The Group is capable of obtaining financing from third parties, if necessary, without reliance on the Single Largest Group of Shareholders and their respective close associates. The Group has bank accounts independent of the Single Largest Group of Shareholders, and the Single Largest Group of Shareholders is not in position to interfere with the Group's disposal of funds.

As of the Latest Practicable Date, the Company did not have any outstanding loans granted or guaranteed by any member of the Single Largest Group of Shareholders.

Based on the above, the Directors are of the view that the Group is capable of carrying on its business independently from, and do not place undue reliance on, the Single Largest Group of Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

The Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of the minority Shareholders.

The Company has adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between the Group and the Single Largest Group of Shareholders:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which the Single Largest Group of Shareholders or any of their respective close associates have a material interest, the Single Largest Group of Shareholders and their respective close associates will not vote on the relevant resolutions;

(ii) the Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if the Company enters into connected transactions or related party transactions with the Single Largest Group of Shareholders or any of their close associates, the Company will comply with the applicable laws and regulations, including Listing Rules;

(iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and the Single Largest Group of Shareholders and provide impartial and professional advice to protect the interests of minority Shareholders;

(iv) the Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by applicable laws and regulations, including Listing Rules;

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

(vi) the Company has appointed Somerley Capital Limited as the Compliance Advisor to provide advice and guidance to the Company in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(vii) the Company has established the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee with written terms of reference in compliance with the Listing Rules.

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