CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, Mr. Wang Yingchun ("**Mr. Wang**") was entitled to exercise the voting rights attaching to 71.11% of the total issued share capital of our Company, comprising (i) direct interest in approximately 66.99% of the total issued share capital of our Company, and (ii) indirect interest through being the general partner of Xuancheng Fuyizhi, which holds approximately 4.12% of the total issued share capital our Company. As of the Latest Practicable Date, the remaining equity interest of our Company was owned by six other Shareholders holding an aggregate of 28.89%, none of whom held an equity interest of 10% or more. Mr. Wang is the brother of Mr. Wang Chunlai, our executive Director, who held approximately 5.07% of our total issued share capital. Xuancheng Fuyizhi is the employee shareholding platform of our Company. As of the Latest Practicable Date, Xuancheng Fuyizhi is held by Mr. Wang as its general partner, holding approximately 21.80% of the partnership interests, and 31 limited partners, all of whom are employees and ex-employees of our Group, each holding less than 10% of the partnership interests. Among the limited partners, Ms. Huang Li, being our executive Director and deputy general manager, holds approximately 3.00% of the partnership interests; Ms. Zheng Zhen, being our executive Director and deputy general manager, holds approximately 9.00% of the partnership interests; Ms. Zhu Lin, being our deputy general manager, chief financial officer, board secretary and company secretary, holds approximately 8.00% of the partnership interests; and Mr. Guo Tianlong, being our deputy general manager and the general manager of our supply chain division, holds approximately 1.50% of the partnership interests.

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Wang will be entitled to exercise (directly or through Xuancheng Fuyizhi) the voting rights attaching to [**REDACTED**]% of our total issued share capital. Accordingly, Mr. Wang will be our Controlling Shareholder upon [**REDACTED**].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholder and their respective close associates after the [**REDACTED**], taking into consideration the factors below.

Management Independence

Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Mr. Wang is also member of our Board, serving as our chairman of the Board, executive Director and general manager.

Our Directors consider that our Board and senior management team are able to manage our business independently from the Controlling Shareholder for the following reasons:

(a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors and Senior Management" in this document;

(b) 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 interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

(c) our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, (i) our independent non-executive Directors are not associated with the Controlling Shareholder or each of their close associates; (ii) our independent non-executive Directors account for more than one-third of the Board; and (iii) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience as independent directors of [**REDACTED**] companies and will be able to provide professional advice to our Company. In conclusion, our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

(d) we will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage potential conflicts of interest, if any, between our Group and Controlling Shareholder, which would support our independent management. For details, please see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from our Controlling Shareholder and their respective close associates after the [**REDACTED**].

Operational Independence

Our Group does not rely on our Controlling Shareholder and their close associates for our business development, staffing, administration, finance, internal audit, information technology, sales and marketing, or 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 our Controlling Shareholder and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

Our Group has 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 independently of our Controlling Shareholder and his close associates.

Financial Independence

Our Group has an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on the Controlling Shareholder and their close associates for financing after [**REDACTED**] as we expect that our working capital will be funded by cash, cash equivalent on hand as well as the net [**REDACTED**] from the [**REDACTED**]. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of members of the Controlling Shareholder and their close associates.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by the Controlling Shareholder or their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to the Controlling Shareholder or their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-[**REDACTED**] Investments from third party investors independently. For details of the Pre-[**REDACTED**] Investments, please refer to the section headed "History, Development and Corporate Structure" in this document.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholder after the [**REDACTED**].

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. We will adopt the following measures to ensure good corporate governance standards and avoid potential conflicts of interest between our Group and the Controlling Shareholder:

(a) where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholder has a material interest, the Controlling Shareholder shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

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

(c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and the Controlling Shareholder, the Controlling Shareholder shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

(d) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules;

(e) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and

(f) we have appointed Somerley 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, our Directors are satisfied that the corporate governance measures are sufficient to manage conflicts of interest that may arise between our Group and the Controlling Shareholder, and to protect our minority Shareholders' interests after the [**REDACTED**].

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESS

Our Controlling Shareholder confirmed that as of the Latest Practicable Date, he did not have any interest in other business, apart from the business of our Group, 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.