OVERVIEW

As at the Latest Practicable Date, the Company was directly held as to approximately 41.10% by Mr. Liu and approximately 17.94% by Suzhou Qinhupan, Hehan Jiangze and Nanzhang Zichou. Among which, each of Suzhou Qinhupan, Hehan Jiangze and Nanzhang Zichou was controlled by Mr. Liu as its general partner. As such, Mr. Liu, Suzhou Qinhupan, Hehan Jiangze and Nanzhang Zichou, collectively were entitled to control approximately 59.04% of the voting rights in the Company.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Liu, Suzhou Qinhupan, Hehan Jiangze and Nanzhang Zichou will collectively control an aggregate of [REDACTED]% of the voting rights in the Company. Accordingly, Mr. Liu, Suzhou Qinhupan, Hehan Jiangze and Nanzhang Zichou would constitute a group of Controlling Shareholders.

NO COMPETITION

Save and except for the interest of our Controlling Shareholders in our Company, each of our Controlling Shareholders confirms that as of the Latest Practicable Date, they did not have any interest in any business which competes or is likely to compete, directly or indirectly, with our business and 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 on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by the Board and senior management of the Company. Upon [REDACTED], the Board will consist of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. For more information, see "Directors and Senior Management." Our Directors consider that the Board and senior management of our Company are capable of functioning independently of our Controlling Shareholders for the following reasons:

(i) six Directors and five senior management are independent of our Controlling Shareholders;

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

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

(iv) we have three independent non-executive Directors who individually and collectively possess requisite knowledge and experience, and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our 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 our Company and our Shareholders as a whole; and

(v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "— Corporate Governance Measures" in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the [REDACTED]:

(i) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;

(ii) we have independent access to our customers and suppliers;

(iii) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and

(iv) none of our Controlling Shareholders have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control of our Company. Our finance department is able to function without any undue influence from our Controlling Shareholders. We have also established an internal control system, an independent audit system, and a standardized financial and accounting system and have set our own accounting policy based on the applicable PRC accounting principle and standards. In addition, we have been and are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates (excluding our Group).

As of the Latest Practicable Date, Mr. Liu, one of our Controlling Shareholders, and Ms. Fan Xuejiao (範雪姣), the spouse of Mr. Liu, provided guarantees (the "**Guarantees**") for certain outstanding loans of our Group in the aggregate amount of RMB45.39 million. See note 23 to the Accountants' Report in Appendix I to this document for further details. According to the agreement with the relevant banks, the Guarantees will be released on or before the [REDACTED].

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or balances due to our Controlling Shareholders or their respective close associates, and there were no outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates (excluding our Group).

CORPORATE GOVERNANCE MEASURES

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

We have adopted, among others, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders have a material interest, the relevant Controlling Shareholders will not vote on the relevant resolutions;

(ii) our Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the [REDACTED], if our Company enters into connected transactions or related party transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable laws and regulations, including the Hong Kong 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 our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) our 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 the Hong Kong Listing Rules;

(v) 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 expense;

(vi) we have appointed Maxa Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance; and

(vii) we have established the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee with written terms of reference in compliance with the Hong Kong Listing Rules and the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules (where applicable).

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 Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].