OVERVIEW

As of the Latest Practicable Date, our Company was held as to (i) 37.67% by Mr. Chen (excluding Treasury Shares) and (ii) 3.32% by Xincaifu (excluding Treasury Shares), which was ultimately controlled by Mr. Chen as its sole executive partner who was entitled to exercise all voting rights of the Shares held by Xincaifu. Pursuant to the voting rights entrustment agreement, the voting rights attached to the Shares held by Ms. Qiu have been irrevocably entrusted to Mr. Chen, representing 3.46% voting rights (excluding Treasury Shares) in our Company as of the Latest Practicable Date. Therefore, as of the Latest Practicable Date, Mr. Chen was entitled to exercise a total of 44.45% of the voting power at general meetings (excluding Treasury Shares) of our Company.

Accordingly, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Restrictive Shares Incentive Plan), Mr. Chen will be entitled to exercise a total of **[REDACTED]**% of the voting power at general meetings (excluding Treasury Shares) of our Company. Upon **[REDACTED]**, Mr. Chen and Xincaifu will together constitute a group of our Controlling Shareholders under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Each of the Controlling Shareholders confirms that he/it does 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 Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

In April 2022, Mr. Chen has provided a non-competition undertaking in favor of our Company, pursuant to which, Mr. Chen has undertaken that, among others:

(i) he and his close family members have not, directly or indirectly, engaged or participated in any business or activities that compete with the business conducted by the Company or its subsidiaries, nor do they hold any equity interests in other companies, enterprises, or economic organizations whose business competes with that of the Company or its subsidiaries. They have also not served as directors, senior management personnel, or core technical staff in such companies, enterprises, or organizations;

(ii) he, his close family members, and any enterprises controlled by them or over which they can exercise significant influence (other than the Company) shall not, whether within or outside of China and in any form, directly or indirectly engage or participate in any business or activities that compete with the business conducted by the Company or its subsidiaries. They shall not, in any form, hold equity interests in any other companies, enterprises, or economic organizations whose business competes with that of the Company or its subsidiaries, nor shall they provide any financial, business, technical, management, or trade secret support to any companies, enterprises, organizations, or individuals that are or may be in competition with the Company or its subsidiaries;

(iii) if, in the future, any company in which he has directly or indirectly invested plans to engage in the same or similar business as the Company, he undertakes to vote against such matters at meetings of the shareholders (general meetings) and/or the board of directors of that company, as well as any matters that may lead to such activities or related decisions. He shall also cause shareholders acting in concert with him and directors appointed by him to vote against such matters at such meetings;

(iv) if, in the future, he or any enterprise directly or indirectly controlled by him gains access to any business opportunity that could involve or relate to a business competing with that of the Company, he shall immediately notify the Company and use best efforts to ensure that the business opportunity is first offered to the Company on fair and reasonable terms and conditions, so as to protect the interests of the Company and all its shareholders; and

(v) if he fails to fulfill the above undertakings, he would compensate the Company and its Shareholders for any loss suffered as a result thereof.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates upon **[REDACTED]**.

Management Independence

Upon **[REDACTED]**, our Board will comprise six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made collectively by our Board and senior management, most of whom have served our Group for a significant period and have substantial and extensive relevant industry experience and expertise as set out in "Directors and Senior Management." Other than Mr. Chen, our Controlling Shareholder, executive Director, chairman of the Board and general manager, none of our Directors or members of the senior management is a controlling shareholder or holds any directorship or executive position in our Controlling Shareholder's close associates.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

(i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;

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

(iv) all of the other Directors (other than Mr. Chen) are independent from our Controlling Shareholders, and decisions of the Board require the approval of a majority vote from the Board; and

(v) we have appointed three independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to safeguard the interests of our Company and the Shareholders as a whole.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently of our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Operational Independence

We are not operationally dependent on our Controlling Shareholders. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Controlling Shareholders and their respective close associates. We have independent access to suppliers and customers. We are also in possession of relevant assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we will be able to operate independently of our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Financial Independence

We have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates.

We do not rely on our Controlling Shareholders or their close associates to provide financial assistance to our Group. We have independent access to third party financing and our Directors believe that, if necessary, we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, borrowings or guarantees to our Group.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Controlling Shareholders and their respective close associates after **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders and their respective close associates:

(i) as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon **[REDACTED]**. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest, nor shall such Director be counted in the quorum present at the Board meeting;

(ii) where a transaction or arrangement of our Company is subject to Shareholders' approval under the provisions of the Listing Rules, any Controlling Shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules;

(iv) we are committed that our Board shall include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experiences and 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, external opinion to protect the interests of our Shareholders as a whole. For details of our independent non-executive Directors, see "Directors and Senior Management — Directors — Independent Non-Executive Directors" in this document; and

(v) we have appointed Rainbow Capital (HK) 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.

The Directors consider that the above corporate governance measures are sufficient to manage potential conflict of interests between the Controlling Shareholders and the Group, and to protect the interests of the minority Shareholders.