RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Yuyantang Investment, holding 10,185,075 shares representing 64.28% of the total issued share capital of the Company and the ultimate controlling person of Yuyantang Investment is Mr. Guo Yang.

As of the Latest Practicable Date, Mr. Guo Yang was interested in approximately 97.16% of the total issued share capital of our Company, comprising (i) approximately 64.28% controlled through Yuyantang Investment, a company in which he holds a 67% equity interest and serves as the controlling shareholder, executive director and general manager, (ii) approximately 27.55% controlled through Zhitongdaohe Investment, in which he acts as the executive managing partner and holds a 45.67% partnership interest, and (iii) approximately 5.34% controlled through Zhitongdaohe Yidai (an employee shareholding platform of the Company), in which he acts as the executive managing partner and holds a 27.72% partnership interest. By virtue of his role as the general partner, Mr. Guo Yang is regarded as having control over Zhitongdaohe Investment and Zhitongdaohe Yidai. Mr. Gao Lifu holds a 33% equity interest in Yuyantang Investment and is a limited partner holding a 54.33% partnership interest in Zhitongdaohe Investment.

Accordingly, Mr. Guo Yang, together with Mr. Gao Lifu, Yuyantang Investment, Zhitongdaohe Investment, Zhitongdaohe Yidai and Zhitongdaohe Erdai are considered to be a group of Controlling Shareholders, who collectively held approximately 97.16% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Guo Yang, Mr. Gao Lifu, Yuyantang Investment, Zhitongdaohe Investment, Zhitongdaohe Yidai and Zhitongdaohe Erdai will collectively hold approximately **[REDACTED]** of our total issued Shares. Accordingly, Mr. Guo Yang, Mr. Gao Lifu, Yuyantang Investment, Zhitongdaohe Investment, Zhitongdaohe Yidai and Zhitongdaohe Erdai will remain as a group of Controlling Shareholders upon **[REDACTED]**.

COMPETITION

Members of the group of our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE GROUP OF CONTROLLING SHAREHOLDERS

Management Independence

Our business is primarily managed and conducted by our Board and senior management. Upon the completion of the **[REDACTED]**, our Board will comprise of three executive Directors and three independent non-executive Directors. See "Directors and Senior Management" for more information.

Our Directors believe that our Board and senior management are able to manage our business and function independently from the group of our Controlling Shareholders based on the following reasons:

(1) each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(3) we have three independent non-executive Directors, who have extensive experience in different areas and have been appointed to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review in accordance with the Listing Rules, the applicable laws and our Articles of Association and internal policies;

(4) our daily management and operations are carried out by our senior management team. Our senior management team members are independent from the group of our Controlling Shareholders, 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 interest of our Group; and

(5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the group of our Controlling Shareholders which would support our independent management. See "— Corporate Governance."

Operation Independence

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. We have also established various internal controls procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on the group of our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from the group of our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of the group of our Controlling Shareholders and their close associates.

Financial Independence

We have an independent financial system. Our Group's accounting and finance functions are independent of the group of our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs. Our Group's major finance operations are handled by our financial management department, which operates independently from the group of our Controlling Shareholders and their close associates. We do not share any other functions or resources with any member of the group of our Controlling Shareholders or their close associates.

During the Track Record Period, we primarily financed our business operations through cash generated from our business activities and equity financing activities. As of the Latest Practicable Date, we did not have any outstanding borrowings or guarantees from the group of our Controlling Shareholders or any of their respective close associates.

Based on the above, our Directors believe that our Group is able to operate with financial independence from the group of our Controlling Shareholders and their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from the group of our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(1) where a Shareholders' meeting is to be held for considering proposed transactions in which the group of our Controlling Shareholders or any of their close associates have a material interest, the group of our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
(2) our Company has established internal control mechanism to identify connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
(3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;
(4) we have appointed Guoyuan Capital (Hong Kong) 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 Listing Rules, including various requirements relating to corporate governance;
(5) we have resolved to establish the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;
(6) the group of our Controlling Shareholders will confirm the status of their non-competing interest on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and
(7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non- executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the group of our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.