

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

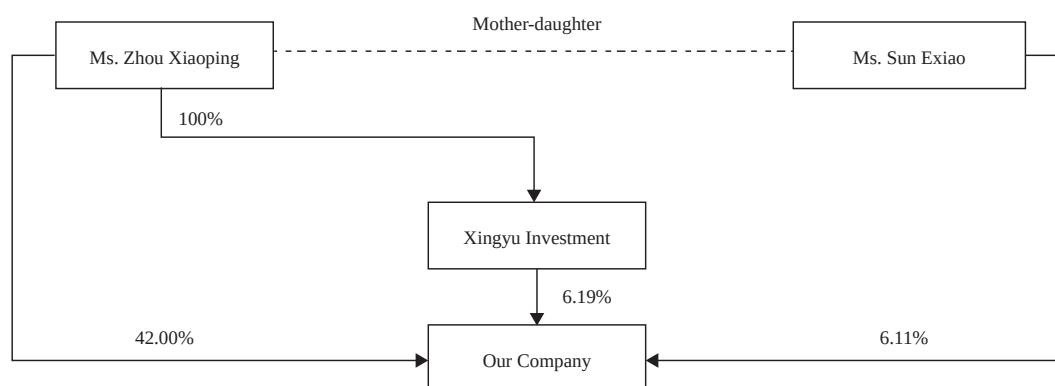
OUR CONTROLLING SHAREHOLDERS

Ms. Zhou Xiaoping (周曉萍) and Mr. Zhou Bajin (周八斤) were the founding shareholders of our Company, and Ms. Zhou served as the Chairperson of our Board, an Executive Director, and the General Manager, responsible for the overall strategic planning, operation and management of the Group. In February 2010, Xingyu Investment was established by Ms. Zhou and Mr. Zhou Bajin, holding 60% and 40% interest respectively, with Ms. Zhou serving as the sole director.

From the beginning of the Track Record Period to February 2025, Ms. Zhou directly held 35.89% interest of our Company and indirectly held 6.19% of the interest of our Company through Xingyu Investment with Mr. Zhou Bajin. Mr. Zhou Bajin also directly held 12.22% interest of our Company.

In February 2025, Mr. Zhou Bajin passed away. Following the division of marital property, inheritance procedure and share transfer, his 12.22% interest of our Company was equally reallocated to Ms. Zhou and Ms. Sun Exiao, and 40% interest of Xingyu Investment was eventually transferred to Ms. Zhou.

As of the Latest Practicable Date, Ms. Zhou directly held 42.00% of the total issued share capital of our Company and indirectly held 6.19% interest of our Company through Xingyu Investment. Ms. Sun Exiao (孫娥小) also directly held 6.11% interest of our Company. The shareholding status of the relationship among Ms. Zhou, Ms. Sun Exiao, Xingyu Investment and our Company was as follows:



Ms. Zhou is the only child of Ms. Sun Exiao, which causes Ms. Sun Exiao to be presumed as the person acting in concert with Ms. Zhou under the Takeovers Code. Consequently, Ms. Zhou, Xingyu Investment and Ms. Sun Exiao, are regarded as a group of controlling shareholders of our Company. As of the Latest Practicable Date, Ms. Zhou and other controlling shareholders, directly and indirectly, controlled 54.3% of the voting rights of our Company. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Ms. Zhou and other controlling shareholders will, directly and indirectly continue to control [REDACTED]% of the voting rights of our Company.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, apart from the business of our Company, they did not have any interest in other business, 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.

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NON-COMPETITION UNDERTAKINGS

Ms. Zhou has executed certain non-competition undertakings in January 2011 (which was restated at each annual and semi-annual report) (the “**Non-Competition Undertaking**”) that, in favor of the interest of our Company and our Shareholders, pursuant to which Ms. Zhou has undertaken that:

- (a) as of the date of the Non-competition Undertaking, Ms. Zhou, as well as the enterprises controlled and invested by her, did not engage in any business or activity in any form that constitute or may constitute direct or indirect competition with the principal business of our Group.
- (b) as long as our Company is publicly listed on the PRC domestic stock exchange, Ms. Zhou will take effective measures, and will also ensure that the enterprises controlled and invested by Ms. Zhou to take effective measures, not to take the following actions within the PRC: (i) engage in any business or activity in any form, directly or indirectly, that constitute or may constitute direct or indirect competition with the principal business of our Group, or hold any equity interest in any business; (ii) support any party other than our Group in any form in its engaging in any business or activity that compete or may compete with the principal business currently or hereafter conducted by our Group; and (iii) intervene in any other manner, whether directly or indirectly, in any business or activity that compete or may compete with the principal business currently or hereafter conducted by our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and/or their respective close associates upon [REDACTED], taking into consideration the factors below:

Management Independence

Our Company is managed by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors comprising four Executive Directors, one Non-Executive Director and four Independent Non-Executive Directors. We believe that our Directors and senior management are able to perform their roles in our Company independently and our Company is capable of managing its business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (i) Ms. Zhou as the Chairperson of our Board, an Executive Director and our General Manager, devotes substantially all her time to discharge her duties of her positions at our Group;
- (ii) each of our Directors is aware of the fiduciary duties as a Director which require, among other things, that they act for the benefit and in the best interests of our Company and does not allow their personal interests to interfere with our Company’s best interest;
- (iii) our daily management and operation are carried out by our Executive Directors and senior management, 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;
- (iv) 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 close associates, the interested Directors shall abstain from voting on such matter and shall not be counted in the quorum present at the relevant meetings of the Board of Directors;

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- (v) we will have four Independent Non-Executive Directors upon [REDACTED], comprising more than one-third of our Board of Directors, to provide a balance of the number of our Board of Directors and with a view to ensure that the decisions of our Board of Directors are made only after due consideration of independent and impartial opinions. We believe our Independent Non-Executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view that our Independent Non-Executive Directors are able to protect the interests of our Company and our Shareholders as a whole;
- (vi) as an A-share listed company, we have formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shanghai Stock Exchange. We have established clear reporting lines among the management team of our Company and between our management team and the Board; and
- (vii) we have adopted corporate governance measures and sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. See “— Corporate Governance” for further details.

Based on the above, our Directors are of the view that our Board of Directors, together with our senior management, are able to perform their managerial roles in our Group independently from our Controlling Shareholders and/or their respective close associates.

Operational Independence

Our Group have full powers to make all decisions regarding, and to carry out, our own business operations, and do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, IT, sales and marketing, or company secretarial functions. We have established our own organizational structure, and each department is specialized and assigned to specific areas of responsibilities. We have independent access to our suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal business 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 Shareholders and/or their respective close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting system and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. Neither our Controlling Shareholders nor their respective close associates intervene with our use of funds. We have adequate internal resources and credit profile to support our daily operation, and we 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. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from our Controlling Shareholders or any of their respective close associates.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and/or their respective close associates.

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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 set out principles of good corporate governance. Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interest between our Company and our Controlling Shareholders.

- (a) where a Board meeting is held for the matters in which any Director or his/her respective close associates has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) where a Shareholders’ general meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, our Controlling Shareholders or their respective close associates will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (c) 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, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her respective close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (d) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders and/or any of their respective close associates, our Company will comply with the applicable Listing Rules;
- (e) we commit that our Board shall include a balanced composition of Executive Director and Non-Executive Directors (including Independent Non-Executive Directors). We will have four Independent Non-Executive Directors upon [REDACTED], and we believe our Independent Non-Executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the Independent Non-Executive Directors, see “Directors and Senior Management”;
- (f) 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 expenses; and
- (g) we have appointed Somerley as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and our Controlling Shareholders, and to protect minority Shareholders’ interests upon [REDACTED].