OVERVIEW

As at the Latest Practicable Date, Mr. Mu, Kangwang Investment and Qiwang Investment directly held 19.16%, 38.31% and 17.64% of our Shares, respectively. Kangwang Investment was wholly owned by Mr. Mu. Qiwang Investment was an Employee Shareholding Platform which was owned as to approximately 0.67% by Kangwang Investment as the executive general partner and approximately 51.99% by Mr. Mu as a limited partner. Accordingly, as at the Latest Practicable Date, Mr. Mu, Kangwang Investment and Qiwang Investment collectively are our Controlling Shareholders, holding approximately 75.11% of our Shares.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), our Controlling Shareholders will be entitled to exercise approximately [**REDACTED**]% of the voting rights at our general meeting upon [**REDACTED**]. Therefore, they will remain as our Controlling Shareholders.

For more information relating to our Controlling Shareholders and their shareholdings in the Company, see "Substantial Shareholders."

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and their respective close associates confirm that they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we can function, operate and carry on our business independently from our Controlling Shareholders upon [**REDACTED**].

Operational Independence

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

(a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;

(b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(c) we make our own procurement purchases and conduct our own sales and marketing primarily through independent third party distributors. Save as disclosed in this document, the Group has a large and diversified base of customers and our customers and suppliers are unrelated to our Controlling Shareholders and his close associates;

(d) as at the Latest Practicable Date, we owned and leased factory and office space from independent third parties. All the properties and facilities necessary to our business operations are independent from our Controlling Shareholders and his close associates;

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

(f) as at the Latest Practicable Date, except for Mu Shanquan (牟善全), who is Mr. Mu's younger brother, and Mu Shanyong (牟善勇), who is Mr. Mu's cousin, all of our full-time employees were recruited independently from our Controlling Shareholders and his close associates and primarily through campus recruiting, job market recruiting, headhunters' recommendations and internal referrals;

(g) save for the continuing connected transactions set out in the section headed "Connected Transactions" in this document, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or his close associates upon or shortly after [**REDACTED**]; and

(h) none of our Controlling Shareholders and his close associates has any interest which competes or is likely to compete with the business of our Group.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises five executive Directors and three independent non-executive Directors. Please see the section headed "Directors, Supervisors and Senior Management" in this document for further details.

As at the Latest Practicable Date, none of our Directors, Supervisors or the members of our senior management team hold any position in Companies of our Controlling Shareholders and their close associates.

Our Directors are of the view that our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders for the following reasons:

(i) as a part of our preparation for the [**REDACTED**], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that any Director, Supervisor and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(ii) our independent non-executive Directors constitute more than one-third of our Board and none of them has any relationship with our Controlling Shareholders. Our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(iii) each of our Directors is aware of his or her fiduciary duties as a director, which require, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(iv) where a Shareholders' meeting is held to consider a proposed transaction in which our Controlling Shareholders has a material interest, our Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

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 also independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system.

We are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, the guarantee for the Group's RMB30.0 million credit facility provided by Mr. Mu previously was fully released in September 2025 and there is currently no outstanding loan or guarantee provided by our Controlling Shareholders and their respective close associates. Furthermore, as of December 31, 2025, we had cash and cash equivalents amounted to approximately RMB471.83 million.

During the Track Record Period, the Company obtained loans from Kangwang Investment, one of our Controlling Shareholders, which were unsecured and unguaranteed and repayable on demand. According to the loan agreements signed between the Group and Kangwang Investment on December 28, 2023, Kangwang Investment agreed to provide loans with amounts of RMB21,500,000 at an annual rate of 3.45%, of which RMB200,000 was repaid in 2023 and RMB21,300,000 was repaid in 2024. According to the loan agreement signed between the Group and Kangwang Investment on September 20, 2024, Kangwang Investment agreed to provide loans with amounts of RMB 36,500,000 at an annual rate of 3.35%, of which RMB16,500,000 was repaid in 2025 and on September 19, 2025, a new loan agreement was entered into with Kangwang Investment in respect of the remaining principal of RMB20,000,000, with repayable date adjusted and the applicable annual interest rate adjusted to 3.00%. Please refer to Note 27 and 36 to the Accountants' Report in Appendix I to this document for further details. As at the Latest Practicable Date, the principal amount due to Kangwang Investment for interest-bearing bank and other borrowings amounted to RMB19,500,000. We will settle these borrowings before the [**REDACTED**].

Apart from the aforementioned borrowings, during the Track Record Period and as at the Latest Practicable Date, the Group had certain outstanding balances due from/to the close associates of our Controlling Shareholders as a result of the connected transactions, details of which are set forth in note 27 and 36 to the Accountants' Report included in Appendix I to this document. Our Directors confirm that, save as such connected transactions there will be no balances due to or from our Controlling Shareholders or his close associates which had not been fully settled nor were there any financial assistance, security or guarantee provided by our Controlling Shareholders or their close associates in favor of our Group or vice versa upon [**REDACTED**]. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after [**REDACTED**].

The abovementioned guarantees and loans, being financial assistance (as defined in the Listing Rules) provided by Mr. Mu and Kangwang Investment for our benefit, were made on normal commercial terms and no security over our assets was granted in respect of such financial assistance. Accordingly, the provision of such guarantees and loans are fully exempt from all announcements, circulars and annual reports, and independent shareholder approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

(i) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors 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 through its annual report or by way of announcements;

(ii) any transaction that is proposed between our Group and our Directors, including Mr. Mu and/or his respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and

(iii) we have appointed Altus Capital Limited as our compliance advisor, who 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 sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

Further, any transaction that is proposed between our Company and the Controlling Shareholders and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the annual reporting, announcement, circular and independent Shareholders' approval requirements.