OVERVIEW

Pursuant to the Concert Party Agreement entered into in June 2021, our Controlling Shareholders consist of Mr. Li, Mr. Zhu, Changzhou Hongzhi, Ms. Gu, Mr. Xia, Mr. Zeng and Mr. Deng. As at the Latest Practicable Date, (i) Mr. Li directly held approximately 16.41% of our registered capital; (ii) Mr. Zhu directly held approximately 16.41% of our registered capital; (iii) Changzhou Hongzhi directly held approximately 7.81% of our registered capital; (iv) Ms. Gu directly held approximately 3.86% of our registered capital; (v) Mr. Xia directly held approximately 3.85% of our registered capital; (vi) Mr. Zeng directly held approximately 2.89% of our registered capital; and (vii) Mr. Deng directly held approximately 2.89% of our registered capital. Changzhou Hongzhi was established in 2017 as an employee shareholding platform which was owned as to (i) approximately 1.13% by Mr. Li, who is its general partner and approximately 73.21% by Mr. Zhu as a limited partner. Mr. Li and Mr. Zhu therefore together have full control over Changzhou Hongzhi. Accordingly, our Controlling Shareholders collectively held 54.13% of our registered capital as at the Latest Practicable Date.

Upon the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), they will be entitled to exercise and control the exercise of an aggregate of approximately **[REDACTED]**% of the voting rights at our general meetings. Accordingly, they will remain as our Controlling Shareholders upon the completion of the **[REDACTED]**.

Apart from the above, Mr. Li is the chairman of our Board, an executive Director and the general manager of our Company, Mr. Zhu is an executive Director and the vice general manager of our Company, Ms. Gu is an executive Director of our Company and each of Mr. Zeng, Mr. Xia and Mr. Deng is the vice general manager of our Company. For further background details of Mr. Li, Mr. Zhu, Ms. Gu, Mr. Zeng, Mr. Xia and Mr. Deng, please see the section headed "Directors and Senior Management" in this document.

EXCLUDED BUSINESS

Our Controlling Shareholders confirmed that none 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 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 Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that the Company will continue to be operationally independent of our Controlling Shareholders and their respective 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 their respective close associates;

(d) as at the Latest Practicable Date, we 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 their respective 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, all of our full-time employees were recruited independently from our Controlling Shareholders and their respective close associates and primarily through campus recruiting, job market recruiting, headhunters' recommendations and internal referrals;

(g) our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after **[REDACTED]**; and

(h) none of our Controlling Shareholders and their respective 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 of nine directors, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors. Please see the section headed "Directors and Senior Management" in this document for further details.

As at the Latest Practicable Date, none of our Directors 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 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 have 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 our own financial management system and we make financial decisions according to our own business needs. Our Directors confirm that during the Track Record Period and As at the Latest Practicable Date, save for the guarantees set forth in notes 26 and 34 to the Accountants' Report included in Appendix I to this document, none of our Controlling Shareholders or their respective close associates had provided any guarantees to our Group. Our Directors confirm that all such guarantees have been released as at the Latest Practicable Date. Our Directors are satisfied that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon **[REDACTED]**.

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, details of which are set forth in note 34 to the Accountants' Report included in Appendix I to this document. Our Directors confirm that there will be no balances due to or from our Controlling Shareholders or their respective close associates which had not been fully settled nor were there any financial assistance, security or guarantee provided by our Controlling Shareholders or their respective 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]**.

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 our Controlling Shareholders and/or the Directors on the other hand, our 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) our Controlling Shareholders have undertaken that they would not and would procure that their controlled corporations would not, directly or indirectly, engage in any business which are or may potentially be in competition with the business carried on or contemplated to be carried on by our Company or any members of our Group;

(iii) any transaction that is proposed between our Group and our Directors, including our Controlling Shareholders and/or their 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

(iv) we have appointed Zhongtai International Capital Limited as our compliance adviser, 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 our 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.