OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately (i) 29.15% by Yunsheng Holding. Yunsheng Holding was owned as to approximately 99.98% by Ningbo Chengyuan, which was in turn owned as to approximately 36.83% by Mr. Zhu Xiaodong, our executive Director, chairman of our Board and our general manager, approximately 49.14% by Mr. Zhu Yunde, the father of Mr. Zhu Xiaodong, and approximately 11.23% by Ms. Dong Weizhen, the mother of Mr. Zhu Xiaodong and spouse of Mr. Zhu Yunde; (ii) 3.28% by Yunsheng Technology Investment, which was a wholly-owned subsidiary of Yunsheng Holding; (iii) 1.01% by Qianhao Investment, which is acting-in-concert with Yunsheng Holding in respect of the operation, management and decision making our Company pursuant to the 2023 AIC Agreement; (iv) 0.57%(1) by Mr. Zhu Xiaodong; (v) 0.49% by Mr. Zhu Yunde; and (vi) 0.02% by Ms. Dong Weizhen. For further details, please refer to "— Acting-in-Concert Arrangement" and "— Our Shareholding and Corporate Structure" in "History and Corporate Structure" in this document.

Accordingly, Yunsheng Holding, Yunsheng Technology Investment, Qianhao Investment, Ningbo Chengyuan, Mr. Zhu Xiaodong, Mr. Zhu Yunde and Ms. Dong Weizhen collectively controlled approximately 34.51%(1) of the total issued share capital of our Company (including treasury shares) as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised), Yunsheng Holding, Yunsheng Technology Investment, Qianhao Investment, Ningbo Chengyuan, Mr. Zhu Xiaodong, Mr. Zhu Yunde and Ms. Dong Weizhen will collectively control approximately [REDACTED]%(1) of the total issued share capital of our Company (including treasury shares), and will together constitute a group of our Controlling Shareholders for the purpose of Listing Rules upon the [REDACTED].

Note:

(1) Includes (i) 4,194,061 A Shares granted under 2020 Employee Share Ownership Plan and 2022 Employee Share Ownership Plan, which had been fully vested as of the Latest Practicable Date. Such A Shares are being held under the designated securities accounts opened for such share ownership plans. The securities accounts under the 2020 Employee Share Ownership Plan and 2022 Employee Share Ownership Plan are managed by Mr. Zhu Xiaodong; and (ii) 450,000 A Shares granted under the 2025 Employee Share Ownership Plan, which had not been vested as of the Latest Practicable Date. Such A Shares are being held under the designated securities account opened for the 2025 Employee Share Ownership Plan, which is managed by a committee of three including Mr. Zhu Xiaodong. The aforesaid 4,644,061 A Shares in aggregate account for 0.42% of the total issued share capital of our Company (including treasury shares) as of the Latest Practicable Date, and [REDACTED]% of the total issued share capital of our Company (including treasury shares) immediately following the completion of the [REDACTED] (assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised). For further details, please refer to "Statutory and General Information — Employee Share Ownership Plans" in Appendix VI to this document.

CLEAR BUSINESS DELINEATION

Our Business

We are a global leading supplier of NdFeB permanent magnets. Through profound technological accumulation and continuous independent innovation, we have developed NdFeB permanent magnets with superior properties. We continue to focus deeply on three major business sectors: NEVs, consumer electronics, and industrial motors and others. At the same time, we are actively exploring high-growth emerging markets such as embodied intelligence robots and low-altitude aircraft.

The Business of our Controlling Shareholders

Apart from the investments in our Company, the businesses that our Controlling Shareholders individually or collectively control and/or engage in include (i) property management, (ii) the research and development, manufacturing and/or sales of servo motors, mechanical equipment, and metal material, (iii) provision of technical research and development services in relation to equipment development; and (iv) other businesses such as the manufacturing and sales music boxes. Such businesses are clearly delineated from the principal businesses of our Group, specifically, in terms of product or service nature and industry positioning.

Each of our Controlling Shareholders has confirmed that he/she/it does not have any interests in any business (apart from the business of our Group) that competes or is likely to compete, directly or indirectly, with our principal business, which is required to be disclosed under Rule 8.10 of the Listing Rules.

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 after [REDACTED].

Management Independence

Our management and operational decisions are made by our Board and our senior management. Our Board comprises four executive Directors, one non-executive Director and four independent non-executive Directors. Among our Directors and members of senior management, Mr. Zhu Xiaodong, our executive Director, and Mr. Zhu Limin, our non-executive Director, are concurrently serving as the director and deputy chief engineer of Yunsheng Holding, respectively. Mr. Zhu Xiaodong's directorship in Yunsheng Holding is non-executive in nature, and he is not involved in the day-to-day operation and management of Yunsheng Holding. Therefore, Mr. Zhu Xiaodong is able to devote sufficient time and attention to his roles as our executive Director, general manager and chairman of our Board. On top of the above, all of our Directors and senior management team members possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. Further details are set forth in the section headed "Directors and Senior Management".

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

(a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, 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 interests;

(b) in the event that any Director is connected with any company or individual involved in a transaction or arrangement to be resolved at our Board meeting, such director shall promptly report the same in writing to our Board. A Director with such connected relationship shall not exercise voting rights on such resolution, nor shall he or she exercise voting rights on behalf of any other Director by proxy. Such Board meeting may be held with the attendance of more than half of the Directors without such connected relationships, and any resolution shall be passed by more than half of those Directors. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed "Corporate Governance Measures" in this section;

(c) four out of nine Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the Listing Rules, who will bring independent judgment to the decision-making process of our Board;

(d) connected transactions between our Group and our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders' approval (where applicable); and

(e) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

Operational Independence

We have established our own organizational structure consisting of individual departments with different functions for, among others, sales, operations, marketing and after-sales services. Each department is assigned specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, during the Track Record Period and as of the Latest Practicable Date, we have obtained and possessed all relevant licenses, permits and approvals required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers. Notwithstanding that we will continue to enter into certain continuing connected transactions with Yunsheng Holding and its subsidiaries after [REDACTED], such transactions will be conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better. During the Track Record Period, (i) transactions that are of revenue nature entered into by our Group with Yunsheng Holding and its subsidiaries accounted for less than 1% of our revenue for the respective year, and (ii) transactions that are of cost nature entered into by our Group with Yunsheng Holding and its subsidiaries accounted for less than 1% of our cost of sales for the respective year. Therefore, such transactions would not give rise to any reliance by our Group on our Controlling Shareholders nor affect our operational independence from our Controlling Shareholders. See "Connected transactions" for further details.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon [REDACTED].

Financial Independence

Our finance department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We recognize the importance of good corporate governance in the protection of our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;

(b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules upon [REDACTED];

(c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/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 and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please see "Directors and Senior Management — Our Directors" in this document;

(d) our Board will operate in accordance with the Articles, which require any Director who has a connected relationship with any enterprise or individual involved in a matter to be resolved at a Board meeting to report such relationship to our Board in writing in a timely manner, and such Director shall not vote on the relevant resolution or vote on behalf of any other Director. Such Board meeting may be held with the attendance of more than half of the Directors without such connected relationships, and any resolution shall be passed by more than half of those Directors.

(e) 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

(f) we have appointed Maxa Capital 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 internal controls.

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 Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].