OVERVIEW

As of the Latest Practicable Date, (i) Mr. Shen Bohua, our executive Director and chairman of our Board, was directly interested in approximately 16.16% of the voting rights of our Company; and (ii) Mr. Shen Yudong, our executive Director, general manager and the son of Mr. Shen Bohua, was entitled to exercise approximately 16.92% of the voting rights in our Company through: (a) approximately 12.42% of the voting rights in our Company directly held by him, and (b) approximately 4.50% of the voting rights in our Company held by Wuxi Hengcheng, the employee shareholding platform of our Company, of which Mr. Shen Yudong acts as the general partner. None of the limited partners held more than 10% of the partnership interests in Wuxi Hengcheng as of the Latest Practicable Date. By virtue of their family relationship, Mr. Shen Bohua and Mr. Shen Yudong are parties presumed to be acting in concert pursuant to the Takeovers Code.

Mr. Shen Bohua, Mr. Shen Yudong and Wuxi Hengcheng were entitled to exercise approximately 33.07% of the voting rights in our Company as of the Latest Practicable Date and will be entitled to control approximately [**REDACTED**]% of the voting rights in our Company immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised). Accordingly, upon the [**REDACTED**], Mr. Shen Bohua, Mr. Shen Yudong and Wuxi Hengcheng will together constitute our Single Largest Shareholder Group, and our Company will not have any controlling shareholders as defined under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Each member of our Single Largest Shareholder Group confirms that he/it had no interest in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Single Largest Shareholder Group and their respective close associates upon the [**REDACTED**].

Management Independence

Upon the [**REDACTED**], our Board will comprise seven Directors, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors. Save for Mr. Shen Bohua, our executive Director, the chairman of our Board, and Mr. Shen Yudong, our executive Director and general manager, who are members of our Single Largest Shareholder Group, none of our Directors or members of the senior management is a member of our Single Largest Shareholder Group or holds any directorship or executive position in our Single Largest Shareholder Group or their close associates.

Our Directors consider that our Board and senior management will function independently from our Single Largest Shareholder Group for the following reasons:

(i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) our Board functions as a collective decision-making body. Major business, operational and management matters are considered and approved in accordance with our established corporate governance procedures rather than being determined by any individual Director;

(iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and

(v) we have appointed three independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to safeguard the interests of our Company and the Shareholders as a whole.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently of our Single Largest Shareholder Group and their respective close associates after the [**REDACTED**].

Operational Independence

Our Group operates independently from our Single Largest Shareholder Group and their respective close associates.

Our Group has a full-time management team and team of staff to carry out its operation and administration independently from our Single Largest Shareholder Group. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Single Largest Shareholder Group and their respective close associates. We have independent access to our suppliers and customers. We are also in possession of relevant assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business independently, and we can operate independently in terms of capital and employees. We have also established a set of internal control procedures and adopted corporate governance measures to facilitate the independent and effective operation of our business independent from our Single Largest Shareholder Group.

During the Track Record Period, our Group leased certain premises in Wuxi from Wuxi Textile for use as operating premises, and we expect to continue the leasing arrangements after the [**REDACTED**]. For further details, see "Connected Transaction" in this document. Given that (i) the property lease agreement was entered into in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms, with rents determined with reference to prevailing market rates for comparable properties in the same area; and (ii) even if such agreement is terminated, any interruption to our operations would be mitigated by our ability to secure alternative premises in the market, our Directors believe that the leasing arrangements with Wuxi Textile would not impair our operational independence.

Based on the above, our Directors are satisfied that our Group is able to operate independently of our Single Largest Shareholder Group and their respective close associates.

Financial Independence

We have the ability to operate independently from our Single Largest Shareholder Group and their respective close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an audit committee comprising a majority of independent non-executive Directors to oversee our accounting and financial reporting processes. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of our Single Largest Shareholder Group and their respective close associates.

We do not rely on our Single Largest Shareholder Group or their respective close associates to provide financial assistance to our Group. We have independent access to third party financing and, if necessary, we are capable of obtaining financing from external sources without reliance on our Single Largest Shareholder Group or their respective close associates. As of the date of this document, none of our Single Largest Shareholders or their respective close associates had provided any loans, borrowings or guarantees to our Group.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Single Largest Shareholder Group and their respective close associates after the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. For more details, please refer to the paragraphs headed "Directors and Senior Management — Management and Corporate Governance — Corporate Governance" in this document.

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Single Largest Shareholder Group and their respective close associates:

(i) 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 the [**REDACTED**]. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest, nor shall such Director be counted in the quorum present at the Board meeting;

(ii) where a transaction or arrangement of our Company is subject to Shareholders' approval under the provisions of the Listing Rules, any member of our Single Largest Shareholder Group that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with any member of our Single Largest Shareholder Group or any of their associates, our Company will comply with the applicable requirements under the Listing Rules;

(iv) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experiences and are free of any business or other relationship that could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders as a whole. For details of our independent non-executive Directors, see "Directors and Senior Management — Board of Directors — Independent Non-Executive Directors" in this document;

(v) our independent non-executive Directors will review, on an annual and independent basis, whether there is any conflict of interests between our Group and our Single Largest Shareholder Group (the "**Annual Review**") and provide impartial and professional advice to protect the interests of the minority Shareholders;

(vi) our Single Largest Shareholder Group will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors for the Annual Review;

(vii) our Company will disclose decisions (with basis) on matters reviewed by our independent non-executive Directors either in its annual report or by way of announcements; and

(viii) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses.

We have appointed Rainbow Capital (HK) Limited as our compliance adviser, 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 corporate governance.