OVERVIEW

As at the Latest Practicable Date, Guangzhou Hengtuo, Mr. Chen and Ms. Jiang held 76.10%, 16.97% and 1.80% Shares of our Company, respectively. Guangzhou Hengtuo was owned as to 80% by Mr. Chen and 20% by Ms. Jiang, respectively. Mr. Chen and Ms. Jiang are spouses. Accordingly, each of Guangzhou Hengtuo, Mr. Chen and Ms. Jiang is our Controlling Shareholder and they collectively held 94.87% of our Shares.

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

For more information relating to our Controlling Shareholders and their shareholdings in our 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 Shareholders and their 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 close associates after [**REDACTED**]:

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

(d) save as disclosed in the section headed "Connected Transactions" in this document in respect of the one-off transaction where the Group leases properties from Mr. Chen and Ms. Jiang, 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 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 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 their close associates upon the [**REDACTED**]; and

(h) none of our Controlling Shareholders and their 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 six 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, save for Mr. Chen, none of our Directors or 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 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 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 of the Latest Practicable Date, none of our Controlling Shareholders or their close associates had provided any guarantees to our Group. Our Directors are satisfied that our Group will be financially independent of our Controlling Shareholders and any of his close associates upon [**REDACTED**].

During the Track Record Period and as of the Latest Practicable Date, the Group had certain outstanding balances due to or from our Controlling Shareholders and their close associates as a result of the connected transactions set forth in the section headed "Connected Transactions", details of which are set forth in note 36 to the accountants' report included in Appendix I to this document. Our Directors confirm that, save as such connected transactions set forth in the section headed "Connected Transactions", there will be no balances due to or from our Controlling Shareholders or their 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**].

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 our annual report or by way of announcements;

(ii) 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;

(iii) any transaction that is proposed between our Group and our Controlling Shareholder, and/or our Directors 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 Rainbow Capital (HK) 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**].