OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was controlled by the Controlling Shareholders, namely (i) Ms. Fu as to 10.88%, (ii) Mr. Yu as to 0.93%, (iii) Tianjin Zhuhui as to 21.55%, which is owned as to 57.50% and 42.50% by Ms. Fu and Mr. Yu, respectively, (iv) Tianjin Wangyuan as to 32.75%, which is owned as to 60.00% and 40.00% by Ms. Fu and Mr. Yu, respectively, and (v) Tianjin Kanfang LP and Tianjin Wangyuan LP as to 1.24% and 4.23%, respectively, with Ms. Fu being their respective sole general partner and entitled to exercise the voting rights attaching to the Shares held by them. As of the Latest Practicable Date, the Controlling Shareholders have been able to control 71.58% of the voting rights in shareholders' meetings of our Company.

Immediately following completion of the [**REDACTED**] and [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Company will be controlled [**REDACTED**]% voting rights by the Controlling Shareholders, namely (i) Ms. Fu as to [**REDACTED**]%, (ii) Mr. Yu as to [**REDACTED**]%, (iii) Tianjin Zhuhui as to [**REDACTED**]%, which is owned as to 57.50% and 42.50% by Ms. Fu and Mr. Yu, respectively, (iv) Tianjin Wangyuan as to [**REDACTED**]%, which is owned as to 60.00% and 40.00% by Ms. Fu and Mr. Yu,respectively, and (v) Tianjin Kanfang LP and Tianjin Wangyuan LP as to [**REDACTED**]% and [**REDACTED**]%, respectively, with Ms. Fu being their respective sole general partner and entitled to exercise the voting rights attaching to the Shares held by them.

COMPETITION

The core business of our Group is to research, design, manufacture and marketing of robotic pool cleaners. Each of our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, he/she/it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is primarily managed and conducted by our Board and senior management. Our Board has nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see "Directors and Senior Management." With three independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent voice and check-and-balance within our Board to safeguard the interests of our Shareholders other than our Controlling Shareholders.

Although Ms. Fu and Mr. Yu, being our Controlling Shareholders, also hold directorship or senior management position in our Company, our Directors believe that our Board and senior management are able to manage our business and function independently from our Controlling Shareholders based on the following reasons:

(i) each Director is aware of his or her fiduciary duties as a Director which require, among others, that he or she acts for the benefit and in the best interest of our Company and Shareholders as a whole (but not merely in the interest of our Controlling Shareholders) and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) 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 Controlling Shareholders or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

(iii) our Board will comprise nine Directors upon the [**REDACTED**], and three of them will be independent non-executive Directors, which represent one-third of the members of the Board. Our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions; and

(iv) our Company has established internal control mechanisms to manage conflict of interests, including, among others, the policies and procedures to identify connected transactions and material interests of our Directors, senior management and Shareholders to ensure that our Directors, senior management or Shareholders with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. See "—Corporate Governance Measures" in this section for further details.

Operational independence

Our Group is operationally independent of our Controlling Shareholders. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Our Group holds or enjoys the benefits of material relevant licenses and intellectual properties necessary to carry on our business. We have our own facilities, equipment and employees to operate our business independent from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors are of the view that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial independence

We have a financial department which is independent of our Controlling Shareholders and such financial department is responsible for the finance, accounting, reporting, credit and internal control of our Group. We can make financial decisions independently without interference from our Controlling Shareholders and their associates. We maintain bank accounts with banks independently and do not share any bank accounts with our Controlling Shareholders and their associates. We believe that we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their associates.

During the Track Record Period and as of the Latest Practicable Date, there was no loan, advance or guarantee provided by our Controlling Shareholders or his/her/its close associates.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our minority Shareholders, we will adopt the following corporate governance measures to manage potential conflicts of interests:

(a) as part of our preparation for the [**REDACTED**], we have adopted our Articles of Association in compliance with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise stipulated;

  (i) when the Board meeting deliberates on connected transactions, connected Directors in the relevant connected transactions or arrangements shall not participate in voting; and

  (ii) when the Shareholders' general meeting deliberates on connected transactions, connected Shareholders who hold significant interests in the relevant connected transactions or arrangements shall not participate in voting, and the number of voting shares they represent shall not be counted in the effective voting, and the announcement of the Shareholders' general meeting resolution shall fully disclose the voting status of the non-connected Shareholders condition;

(b) we are committed to ensure that our Board shall have a sufficiently balanced composition of executive Directors, non-executive Director and independent non-executive Directors that can facilitate the exercise of independent judgment. We believe that the independent non-executive Directors have the necessary expertise to form and exercise independent judgment in the event of any conflict of interest between our Company and our Controlling Shareholders. Further, the independent non-executive Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost; and

(c) we have appointed Halcyon 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 but not limited to various requirements relating to Directors' duties and corporate governance.