
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

1. THE CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and/or any options which may be granted under the Share Option Scheme), the Controlling Shareholders will hold [REDACTED] Shares, representing [REDACTED] in aggregate of the total issued share capital of the Company.

2. INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

2.1 Competing Interests

As confirmed by the Directors, the Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, that competes or is likely to compete, directly or indirectly, with the business of the Group.

2.2 Management independence

Although the Controlling Shareholders will have controlling interests in the Company upon completion of the [REDACTED], the day-to-day management and operation of the business of the Group will be the responsibility of all the executive Directors and senior management of the Company. The Board has six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The Board and senior management operate as a matter of fact independently from the Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the [REDACTED] without referring to the Controlling Shareholders.

Each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum. In addition, the Company has an independent senior management team to carry out the business decisions of the Group independently.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that the Company is capable of managing the Group’s business independently from the Controlling Shareholders.

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2.3 Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with the Controlling Shareholders and its close associates, during the Track Record Period. The Group has also established a set of internal controls to facilitate the effective operation of its business.

The Group’s suppliers are all independent from the Controlling Shareholders. It does not rely on the Controlling Shareholders or their close associates and the Group has its independent access to the suppliers for the provision of services and materials.

2.4 Financial independence

The Group has its own accounting and finance department and independent financial system and makes financial decisions according to its own business needs. It also has its own treasury function and independent access to third party financing. During the Track Record Period, certain bank borrowings were secured by personal guarantees of the Controlling Shareholders. Please refer to paragraph 8 of the section headed “Financial Information” in this document and Note 22 (Bank Borrowings, Secured) of the Accountant’s Report set out in Appendix I in this document for further details. All the above securities provided to the Group will either be released or fully repaid upon [REDACTED].

In view of the Group’s internal resources and the estimated [REDACTED] from the [REDACTED], the Directors believe that the Group will have sufficient capital for its financial needs without dependence on the Controlling Shareholders. The Directors further believe that, upon the [REDACTED], the Group is capable of obtaining financing from external sources independently without the support of the Controlling Shareholders.

3. NON-COMPETITION UNDERTAKING

The Controlling Shareholders (each a “Covenantor” and collectively, the “Covenantors”) entered into the Deed of Non-competition in favour of the Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to the Company (for itself and as trustee for members of the Group) that:

- (a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a “Controlled Person” and collectively, the “Controlled Persons”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-competition, shall not include any member of the Group) (the “Controlled Company”) not to, except through any member of the Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any

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member of the Group from time to time or in which any member of the Group is engaged or has invested or is otherwise involved in any territory that the Group carries on its business from time to time (“Restricted Business”);

- (b) if any Covenantors, Controlled Person and/or Controlled Company is offered or becomes aware of any new project or business opportunity (“New Business Opportunity”) directly or indirectly to engage or become interested in a Restricted Business, he/she/it (i) shall promptly notify the Company of such New Business Opportunity in writing, refer the same to the Company for consideration first and provide such information as may be reasonably required by the Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by the Company and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to the Company.

The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertaking will not apply to such Covenantors in the circumstances where he/she/it has:

- (a) the holding of or interests in shares or other securities by any of the Covenantors and/or his/her/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:
- (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (ii) the total number of the shares held by any of the Covenantors and his/her/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and his/her/its close associates together hold.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued

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Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM [REDACTED] Rules from time to time) of the Company; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

4. CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him to attend;
- (2) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders;
- (3) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) the Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of the Company;
- (5) the Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;
- (6) the Company has appointed Ample Capital Limited as the compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the GEM [REDACTED] Rules including various requirements relating to directors’ duties and internal controls;
- (7) the independent non-executive Directors will be responsible for deciding whether or not to allow the Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (8) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of the Company.

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Further, any transaction that is proposed between the Group and the Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM [REDACTED] Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, the Directors believe that the interest of the Shareholders will be protected.