

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKINGS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our ultimate Controlling Shareholders, namely, Mr. Lee, Mr. Yong, Mr. Chan and Mr. Tam, have been acquainted with each other since 1987 when they met while studying and teaching in the University of Hong Kong. Mr. Lee, Mr. Yong and Mr. Chan were classmates in the Faculty of Science of the University of Hong Kong while Mr. Tam was teaching in the Faculty of Social Science of the University of Hong Kong. Since 18 June 2006, they have entered into an oral agreement to control and manage the member companies comprising our Group as a group of persons acting-in-concert. Pursuant to such oral agreement, Mr. Lee and Mr. Yong have taken the leading role in the decision making, operation, and management of the member companies of our Group since 18 June 2006 or such later days on which a member company is established by our Group. The ultimate Controlling Shareholders have supported Mr. Lee and Mr. Yong in relation to the operation and management of our Group by exercising their voting rights at the meetings of the shareholders and boards of the then member companies of our Group in accordance with the joint decisions of Mr. Lee and Mr. Yong since then.

On 27 February 2015, our ultimate Controlling Shareholders entered into the Confirmation Deed to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of our Group during the Track Record Period, details of the Confirmation Deed are set out in the paragraph "Parties acting in concert" under the section headed "History, Reorganisation and Group Structure" in this [REDACTED].

Immediately after completion of the [REDACTED] and the [REDACTED], our Controlling Shareholders will together control 75% of the total issued share capital of our Company with (i) BIZ Cloud effectively holding approximately 29.25% of the total issued share capital of our Company, which is wholly owned by Mr. Lee; (ii) Cloud Gear effectively holding approximately 8.25% of the total issued share capital of our Company, which is wholly owned by Mr. Chan; (iii) Friends True effectively holding approximately 28.125% of the total issued share capital of our Company, which is wholly owned by Mr. Yong; and (iv) Imagine Cloud effectively holding approximately 9.375% of the total issued share capital of our Company, which is wholly owned by Mr. Tam.

Our Controlling Shareholders will collectively continue to control more than 30% of our issued share capital. As such, BIZ Cloud, Cloud Gear, Friends True, Imagine Cloud, Mr. Lee, Mr. Chan, Mr. Yong and Mr. Tam will remain as Controlling Shareholders after the [REDACTED] and the [REDACTED].

NON-DISPOSAL UNDERTAKINGS

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this [REDACTED] and ending on the date which is six months from the [REDACTED] Date dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this [REDACTED] to be the beneficial owner; or

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- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances the Controlling Shareholders would, either individually or taken together with the others of them, cease to be a Controlling Shareholder.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company to comply with the following requirements:

- (i) in the event that the Controlling Shareholder pledges or charges any direct or indirect interest in relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this [REDACTED] and ending on the date which is six months from the [REDACTED] Date, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in Shares under (i) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Apart from our Group, during the Track Record Period, the Controlling Shareholders and their respective close associates also have interests in one other business in the development and sales of applications for mobile communication devices including mobile phones and tablet computers (the "Excluded Business"), which is in similar line of business of our Group and may constitute competition with our Group's business. For details of the Excluded Business, please refer to the paragraph headed "Excluded Business" in this section of the [REDACTED].

To ensure that competition will not exist in the future, the Controlling Shareholders have disposed of the Excluded Business to an Independent Third Party on 1 April 2013. Further the Controlling Shareholders have entered into the Deed of Non-competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from the Controlling Shareholders and their respective close associates after the [REDACTED].

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Financial independence

Our Group has an independent financial system and makes financial decisions according to its own business needs.

Our Directors confirm that as at the Latest Practicable Date, the non-trade related amounts due to or from the Controlling Shareholder or corporate controlled by them with our Group had been settled. All personal guarantees provided by the Controlling Shareholders and/or their respective close associates as security for banking facilities and bank borrowing of our Group will be released before/upon [REDACTED]. On this basis, our Directors believe that our Group is financially independent from the Controlling Shareholders and has adequate internal resources and credit profile to support its daily operation.

Management independence

The Board comprises 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The 2 executive Directors and 2 non-executive Directors are also ultimate Controlling Shareholders of our Company. Please see the section "Directors, Senior Management and Staff" for further details. Each of our Directors is aware of his/her fiduciary duties as a director which require, amongst other things, that he/she must act in the best interests and for the benefit of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational independence

Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has also established a set of internal control policies and guidelines to facilitate the effective operation of its business. Further details are set out in the paragraph headed "Internal control" under the section headed "Business" in this [REDACTED]. During the Track Record Period, our Group had entered into certain transactions with its related parties as set out in more detail in the paragraph headed "Material Related Party Transactions" in Appendix I to this [REDACTED]. As at the Latest Practicable Date, our Group does not have any transaction with any related party.

EXCLUDED BUSINESS

Introduction

Our Group is principally engaged in the provision of IT solutions which include end-to-end system integration and application development, distribution of IT products, provision of secondment services and provision of maintenance services to both public and private sectors in Hong Kong and commenced expanding into the PRC market through the establishment of Tian Li Shi and Shenzhen Kai Gang in 2009.

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Save as above, the businesses of our Group also include the development and sales of specialised commissioned mobile communication devices applications ("Apps").

Details of the Excluded Business

The Excluded Business is the development and sales of Apps carried on through Technix and has an issued share capital of HK\$100,000 owned as to 25% by Mr. Lee, 25% by Mr. Chan, 25% by Mr. Yong and 25% by Mr. Tam. During the Track Record Period, Technix has developed two Apps through Mr. Yong on an experimental basis and has uploaded them for free download through both Apple — App Store and Android in order to gain experience on the procedures for developing and uploading Apps and understand the commercial operations behind it.

Financial information of Technix

During the Track Record Period, according to the unaudited financial information of Technix:

- (a) no gross revenue was recorded for the year ended 31 March 2012 and 2013;
- (b) no gross profit was recorded for the year ended 31 March 2012 and 2013;
- (c) losses of approximately HK\$5,700 and HK\$1,600 were recorded for the year ended 31 March 2012 and 2013; and
- (d) net liabilities of approximately HK\$384,000 and HK\$386,000 were recorded as at 31 March 2012 and 2013.

Reasons for exclusion of the Excluded Business

Our Directors consider not to include the Excluded Business as part of our Group for the reasons that the size and volume of the Excluded Business was insignificant, the Excluded Business was not successful and was loss making through-out the Track Record Period and the experience gained by Mr. Yong can be passed onto personnel employed by our Group in the development and sales of specialised Apps.

Other than the above company, the Controlling Shareholders and their respective close associates are also interested in the following companies which are not engaged in similar lines of businesses of our Group which will constitute any competition to our businesses:

- (a) a company carrying on business as recruitment agency, which is 50% owned by Mr. Chan and 50% owned by Mr. Lee and both are directors of the company; and
- (b) a company carrying on business in providing corporate training, which is 90% owned by Mr. Tam and to the best knowledge of the Directors, the remaining 10% is owned by an independent third party.

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The business operation of the recruitment agency company was inactive and running at a loss and there was no turnover for the two financial years ended 31 December 2012 and 31 December 2013, its daily operation was being taken up by Mr. Chan, who spent on average less than an hour per month on the affairs of the recruitment agency company. Our Directors are satisfied and consider that Mr. Chan and Mr. Lee will be able to allocate sufficient time to manage the business of our Company.

Our Directors are satisfied and considered that as Mr. Tam is only a non-executive Director of our Company, his interest in the corporate training company mentioned above will not affect him in discharging his duties to our Company.

Disposal of the Excluded Business

In order to ensure that competition will not exist in the future, the Controlling Shareholders have disposed of the Excluded Business to an Independent Third Party on 1 April 2013 at the consideration of HK\$10,000 together with the undertaking from the Independent Third Party and Technix to change the name of Technix to another name that does not have any reference to "ICO" and "揚科".

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders entered into the Deed of Non-competition with our Company pursuant to which each of the Controlling Shareholders has, among other things, agreed and undertaken with our Company (for itself and on behalf of its subsidiaries) that for so long as such Controlling Shareholder is a director of our Company or a shareholder (whether directly or indirectly) of our Company within the Relevant Period (as defined below), other than through our Group:

- (a) it will not and will procure that none of his close associates will, directly or indirectly be interested or involved or engaged in or acquire or hold interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any competing business in Hong Kong and any other countries or jurisdictions to which our Group provides its services and/or in which any member of our Group carries on business mentioned above from time to time; and
- (b) he/it will not and will procure that none of his/its close associates will, either on his/its own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in our Group any person, firm, company or organisation who to its or his knowledge is now or has been a client, supplier or employee of any member in our Group.

For the above purpose, the "Relevant Period" means the period commencing from the date of the Deed of Non-competition and shall expire on the earlier of (a) the date on which the Shares cease to be [REDACTED] on GEM; and (b) the date on which the Controlling Shareholders (together with their respective close associates), whether directly or indirectly, collectively, cease to own 30% or more of the then issued share capital of our Company or individually ceases to be deemed as a Controlling Shareholder of our Company.

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The aforesaid undertaking does not apply with respect to the Controlling Shareholders engaging or participating in any business which may be a Competing Business but, in the opinion of all the independent non-executive directors of our Company, does not conflict with the interest of our Group.

Indemnity

Each of the Controlling Shareholders jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of all or any of the Controlling Shareholders under the Deed of Non-competition, including any costs and expenses incurred as a result such breach.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is observed:

- (a) the independent non-executive Directors shall review on an annual basis the above undertakings from the Controlling Shareholders and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Controlling Shareholders undertakes to provide, upon our Company's request, any information to our Company or the independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and
- (c) each of the Controlling Shareholders undertakes to provide, upon the request of the independent non-executive Directors, all information necessary for the execution of the Deed of Non-competition, and to provide an annual confirmation in relation to the compliance of the non-competition undertaking in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the [REDACTED] granting approval for the [REDACTED] in the Shares on GEM and all conditions precedent under the [REDACTED] having been fulfilled (or where applicable, waived) and the [REDACTED] not having been terminated in accordance with its terms.

The Deed of Non-competition shall terminate on (i) in relation to the Controlling Shareholders as a group of persons acting in concert, the date on which they together with their respective close associates, whether individually or taken together, ceases to collectively be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be [REDACTED] (except for temporary trading halt or suspension of trading of the Shares on GEM due to any reason).

COMPETING INTEREST

The Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.