

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), Mr. Wong, Ms. So and Golden Luck will be the Controlling Shareholders (within the meaning of the GEM Listing Rules). Golden Luck is an investment holding company incorporated in the BVI and owned as to 99% by Mr. Wong and 1% by Ms. So. As at the Latest Practicable Date, save and except for their respective interests in the Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associates had any interest in any other companies which held interests in the business of the Company during the Track Record Period and had ceased to hold such interests after the Reorganisation. The Group has been under the ownership and control by Mr. Wong and Ms. So throughout the Track Record Period.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Connected transactions" in this document, the Directors do not expect that there will be any other significant transactions between the Group and its Controlling Shareholders and their respective associates upon or shortly after the [REDACTED]. The Directors believe that the Group is capable of carrying on its business independently of its Controlling Shareholders and their respective associates after the [REDACTED] having considered the following factors:

Management independence

The Board comprises two executive Directors and three independent non-executive Directors. The only executive Directors are Mr. Wong and Ms. So who are the Controlling Shareholders due to their interests in Golden Luck. Regarding the independent non-executive Directors, Mr. Tam Chun Chung is a Certified Public Accountant, and Mr. Fok Ka Chi is a barrister-of-law in Hong Kong. The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion. Given the diversity of professions of the independent non-executive Directors, the Directors believe that the Board contains a balanced composition of independent non-executive Directors with adequate character, integrity and calibre for their views to carry weight and exercising independent judgment, and provides balanced views and opinions.

Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her 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 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 of the relevant board meetings. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest. As such, Mr. Wong and Ms. So will not attend the Board meetings when those matters or transactions relating to any of the Controlling Shareholders or their respective associates or otherwise give rise to potential conflicts of interest come up for discussion unless required by a majority of the independent non-executive Directors to the contrary and they would not be counted as quorum in the relevant meetings.

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Save for Mr. Wong and Ms. So, being the Controlling Shareholders and the only executive Directors of the Company, and Mr. Leung Chi Man, the general manager of the Group and the brother-in-law of Ms. So, the Group has an independent senior management team with substantial experience and expertise in the Group's business to carry out and execute the business decisions of the Group independently. Since Golden Luck has no business other than holding the shareholding interest in the Company, the Directors do not foresee any issue which may affect the management independence. In addition, the Group has a senior management team which is capable of carrying out the business decision of the Group independently. Save for Mr. Leung Chi Man who is the brother-in-law of Ms. So, none of the Group's senior management team has any family relationship with the Controlling Shareholders or any of their respective associates. The Directors are satisfied that the senior management team will be able to perform their roles in the Company independently.

In addition, the Board's main functions include the approval of the Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of the Company. The Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors and the non-competition undertakings given by the Controlling Shareholders in favour of the Group, details of which are contained in this section, the Directors are satisfied that they are able to perform their roles in the Group independently and are of the view that they are capable of managing the business of the Group independently from the Controlling Shareholders and their respective associates after Listing.

Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has independent access to customers for the Group's business.

The Group has engaged Kin Kwan, a sole proprietorship owned by Mr. Wong Kang Hong, the younger brother of Mr. Wong as subcontractor through tendering for the provision of fitting-out works in some of the Group's projects. Details of the transactions are disclosed in the section headed "Connected transactions" in this document. The Group currently does not have any intention to purchase or sell any products from/to its Controlling Shareholders and, if such happens in future, the connected transactions/continuing connected transactions will be conducted in compliance with the GEM Listing Rules.

The Group has also established a set of internal control measures to facilitate the effective operations of its business. The Group's customers and suppliers (save as those disclosed in the section headed "Connected transactions" in this document) are all independent from the Controlling Shareholders. The Group does not rely on the Controlling Shareholders or their respective close associates and has its independent access to customers and suppliers. The Directors consider that the Group's operations do not depend on the Controlling Shareholders because (i) there is no competing business between the Group and any of the Controlling Shareholders; and (ii) the Group will not be relying on any guarantee provided by any of the Controlling Shareholders in respect of bank borrowings nor has the Group given any guarantee for the benefit of any of the Controlling Shareholders upon the [REDACTED].

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Financial independence

The Company has an independent financial system and makes financial decisions according to the Group's own business needs. The Directors confirmed that any guarantee, loan, pledge or security provided by the Controlling Shareholders in favour of the Group will be released or settled upon the [REDACTED]. On the other hand, as at the Latest Practicable Date, there was no guarantee, loan, pledge or security provided by the Group to the Controlling Shareholders.

As at 31 July 2015, the Group had a banking facility (the "**Banking Facility**") of approximately HK\$25.8 million of which approximately HK\$15.0 million had been utilised for surety bonds. The Banking Facility was secured by personal guarantees from Mr. Wong and Ms. So and properties held by them.

The aforesaid guarantees on the Banking Facility will be replaced by a corporate guarantee of the Company upon the [REDACTED].

As at 31 July 2015, there was approximately HK\$2.6 million due to Mr. Wong. During the Track Record Period, the Group had certain amounts due to or from Mr. Wong. For details, please refer to note 17 of the Accountants' Report set out in Appendix I to this document. Such amounts due to Mr. Wong have been fully settled on 9 September 2015. The Directors believe that the Group is capable of obtaining financing from independent third parties, if necessary, without reliance on the Controlling Shareholders after the [REDACTED]. Therefore, the Group will be financially independent from the Controlling Shareholders after the [REDACTED].

COMPETITION

Each of the Controlling Shareholders, the Directors, the substantial Shareholders and their respective close associates does not have any interest in a business apart from the Group's business which competes or may compete, directly or indirectly, with the Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders executed the Deed of Non-competition in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which each of the Controlling Shareholders undertakes to and covenants with the Company (for itself and as trustee for each of its subsidiaries) that:

- (1) he/she/it will not, and will use his/her/its best endeavours to procure any Controlling Shareholder, his/her/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by any Controlling Shareholder (excluding any member of the Group) (the "**Controlled Company**") not to, either on his/her/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by the Company or any of its subsidiaries in Hong Kong and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time, including but not limited to the provision of engineering services for building services systems in Hong Kong (the "**Restricted Business**");

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- (2) If any Controlling Shareholder and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):
 - (a) he/she/it shall within 10 days notify the Company of such New Business Opportunity in writing and refer the same to the Company for consideration, and shall provide the relevant information to the Company in order to enable it to make an informed assessment of such opportunity; and
 - (b) he/she/it shall not, and shall procure that his/her/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by the Company and the principal terms of which the Controlling Shareholder or his/her/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to the Company.
- (3) A Controlling Shareholder may only engage in the New Business Opportunity if:
 - (a) a notice is received by the Controlling Shareholder from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or
 - (b) the Non-acceptance Notice is not received by the Controlling Shareholder within 30 days after the proposal of the New Business Opportunity is received by the Company.

Each of the Controlling Shareholders jointly and severally, unconditionally and irrevocably undertakes to the Company (for itself and as trustee for each of its subsidiaries) that he/she/it will:

- (1) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors), and shall not be counted towards the quorum for such meeting;
- (2) as required by the Company, provide all information necessary for its independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the non-competition undertaking and the enforcement of it;
- (3) procure the Company to disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions, and where applicable the reasons for such decisions, made by its independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (4) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (5) during the period when the Deed of Non-competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Controlling Shareholder of any statement, warrant or undertaking made under the Deed of Non-competition.

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The Deed of Non-competition will take effect from the date on the [REDACTED] Date and will cease to have any effect upon the occurrence of the earliest of:

- (1) the date on which the Shares cease to be listed on GEM;
- (2) the date on which the Controlling Shareholders cease to be a Controlling Shareholder; or
- (3) the date on which the Controlling Shareholders beneficially own or become interested jointly or severally in the entire issued share capital of the Company.

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/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associate is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend but in no circumstances shall he/she be counted towards the quorum or allowed to vote on such resolution;
- (2) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by its Controlling Shareholders;
- (3) its 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 on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of its Controlling Shareholders in the annual reports of the Company;
- (5) its Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (7) 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.

Further, any transaction that is proposed between the Group and its Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing 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 interests of the Shareholders will be protected.