
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue 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), (i) each of Mr. Lui, Mr. Wai and Mr. Yip will be interested in [REDACTED] of the issued share capital of the Company through the shareholding interests held personally, interests held jointly with each other by virtue of their acting in concert arrangements and the interests held through Success Wing; and (ii) Success Wing will be interested in [REDACTED] of the issued share capital of the Company. Therefore, Mr. Lui, Mr. Wai, Mr. Yip and Success Wing are the Controlling Shareholders of the Company.

COMPANIES OWNED BY CONTROLLING SHAREHOLDERS WHICH WERE EITHER, (I) DISPOSED OF OR DISSOLVED DURING THE TRACK RECORD PERIOD; OR (II) NOT INCLUDED INTO THE GROUP

Certain Controlling Shareholders were interested in companies which were either, (i) disposed of or dissolved during the Track Record Period; or (ii) not included into the Group, all such businesses will not form part of the Group after the [REDACTED]. Details of such companies are as follows:

(I) *Companies which had been disposed of or dissolved during the Track Record Period:*

(1) **Sampag International Limited**

Sampag International Limited 森弼國際有限公司 (“**Sampag**”) was incorporated in Hong Kong with limited liability on 31 January 2011, which was owned as to 25.0% by Mr. Wai, 25.0% by Mr. Liu and 50.0% by an Independent Third Party immediately before Mr. Wai and Mr. Lui disposed of their shareholding interest in Sampag. Sampag supplied construction materials including curtain wall accessories to the Group during the Track Record Period. On 7 October 2014, Mr. Wai and Mr. Liu disposed of their entire shareholding interests in Sampag to several Independent Third Parties.

(2) **BuildMax (Macau) Limited**

BuildMax (Macau) Limited 彪域(澳門)有限公司 (“**BuildMax (Macau)**”) was incorporated in Macau with limited liability on 18 February 2013 with a registered capital of MOP30,000. As at the date of its incorporation and up to the date of dissolution, BuildMax (Macau) was owned as to approximately 33.3% by Mr. Lui, 33.3% by Mr. Wai and 33.3% by Mr. Yip. It was originally intended to be principally engaged in construction engineering in Macau. As BuildMax (Macau) did not engage in any substantial business during the Track Record Period and the said Controlling Shareholders decided it is more beneficial to focus their financial resources elsewhere, BuildMax (Macau) was dissolved by way of voluntary winding-up by shareholders on 3 December 2014.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(3) KPa (Macau) Engineering Limited

KPa (Macau) Engineering Limited 應力(澳門)工程有限公司 (“KPa (Macau)”) was incorporated in Macau with limited liability on 11 April 2006 with a registered capital of MOP30,000. As at the date of its incorporation up to the date of dissolution, KPa (Macau) was owned as to approximately 33.3% by Mr. Lui, 33.3% by Mr. Wai and 33.3% by Mr. Yip. KPa (Macau) was originally intended to be principally engaged in construction engineering in Macau. As KPa (Macau) did not engage in any substantial business during the Track Record Period and the said Controlling Shareholders decided it is more beneficial to focus their financial resources elsewhere, KPa (Macau) was dissolved by way of voluntary winding-up by shareholders on 3 December 2014.

(4) G&M-KPa Company Limited

G&M-KPa Company Limited 信越(澳門) 工程有限公司 (“G&M-KPa”) was incorporated in Macau with limited liability on 2 May 2007 with a registered capital of MOP25,000. As at the date of its incorporation up to the date of dissolution, G&M-KPa was owned as to approximately 40.0% by KPa (Macau) and 60.0% by an Independent Third Party. G&M-KPa originally intended to be was principally engaged in construction engineering. As G&M-KPa did not engage in any substantial business during the Track Record Period and the said Controlling Shareholders decided it is more beneficial to focus their financial resources elsewhere, G&M-KPa was dissolved by way of voluntary winding-up by shareholders on 3 December 2014.

(5) Wonder Asia

Wonder Asia was incorporated in Hong Kong with limited liability on 20 October 2008 and is principally engaged in property holding. During the Track Record Period, it was owned as to 50.0% by Mr. Wai and 50.0% by Ms. Wu. Wonder Asia leased a property to KPa Engineering for use as Director’s quarters during the Track Record Period. For details on the said connected transaction, please be referred to the paragraph headed “Connected transactions — Discontinued connected transactions — 2. Lease between KPa Engineering and Wonder Asia” to this [REDACTED].

(II) Companies which are not included in the Group:

(6) Hillford

Hillford was incorporated in Hong Kong with limited liability on 20 May 2010. During the Track Record Period, it was owned as to approximately 26.7% by Mr. Lui, 26.7% by Mr. Wai, 26.7% by Mr. Yip, 15.0% by Mr. Liu and 5.0% by Mr. Chan. Hillford had been engaged by the Group to handle the purchase orders of building material products placed by it during the Track Record Period. For details on the said connected transaction, please be referred to the paragraph headed “Connected transactions — Discontinued connected transactions — 1. Handling service fees to Hillford” to this [REDACTED]. As the Directors decided to place purchase orders of building material products to the suppliers of the Group directly, it decided to terminate the business relationship with Hillford before [REDACTED]. Hillford was therefore not included into the Group as a result. As at the Latest Practicable Date, Hillford held 75.0% of the equity interest of BuildMax (SZ) without any business operation.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(7) BuildMax (SZ)

BuildMax (SZ) was a limited liability company incorporated in the PRC on 25 October 2010. As at the Latest Practicable Date, BuildMax (SZ) had a registered capital of RMB6.5 million which was owned as to 75.0% by Hillford and 25.0% by an Independent Third Party. BuildMax (SZ) was principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products in the PRC and Hong Kong. For details regarding the connected transaction between BuildMax (SZ) and the Group, please be referred to the paragraph headed “Connected transactions — Non-exempt continuing connected transactions — 4. The master supply agreement” to this [REDACTED]. As BuildMax (SZ) has different business and geographical focus from the Group as detailed in the paragraphs headed “Clear delineation of business of the Group and BuildMax (SZ)” in this section below, the Directors decided not to include BuildMax (SZ) into the Group.

BuildMax (SZ) leased the Processing Factory during the Track Record Period and up to the Latest Practicable Date.

The landlord and lessor of the Processing Factory, who is an Independent Third Party, failed to provide property ownership and land use rights certificate (房地產權證) and the construction works planning permit (建設工程規劃許可證) or temporary construction works planning permit (臨時建設工程規劃許可證) in relation to the Processing Factory (the “Defect”). Pursuant to the relevant provisions under the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), the landlord may be subject to different levels of penalty or the building may be ordered to be dismantled depending on the circumstances.

According to the PRC Legal Advisers, BuildMax (SZ) as the tenant will not be subject to the potential administrative penalties that may be imposed. However, the lease may be held invalid. BuildMax (SZ) may be compelled to leave the said land and relocate the Processing Factory.

The Directors believe that the Breach was not wilful on the part of the landlord, which was due to the absence of timely and professional advice at the material time. As a contingency plan in case BuildMax (SZ) is compelled to leave the Processing Factory, BuildMax (SZ) has entered into an agreement in a term of three years with an Independent Third Party in Huizhou, to secure the right but not obligation to use exclusively the production equipment of such Independent Third Party for the fulfillment of BuildMax (SZ)’s production plan upon seven-business-days prior notice. Such contingency plan will only be implemented should BuildMax (SZ) receive notice for relocation.

As at the Latest Practicable Date, the Directors confirm that both the lessor and BuildMax (SZ) have not received any order from the relevant authorities to vacate the Processing Factory.

Save as disclosed above, none of the Controlling Shareholders, Substantial Shareholders, Directors and their respective close associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CLEAR DELINEATION OF BUSINESS OF THE GROUP AND BUILDMAX (SZ)

The business operated by the Group and BuildMax (SZ) have the following differences:

Business Model

The business model and focus of the Group are substantially different from that of BuildMax (SZ). The Group is principally engaged in the provision of structural engineering work with a focus on design and build projects in Hong Kong with a small portion of its revenue generated from trading of building material products predominantly in Hong Kong during the Track Record Period respectively. With respect to its building material product trading business, as the Group does not have the equipment and facilities to manufacture or process building material products, the Group has to purchase finished or semi-finished building material products from BuildMax (SZ) and other third party suppliers and then resell them to customers directly and predominantly with the products bearing the brand of the relevant supplier at a marked-up price or under the Group’s own brand. Approximately 97.2% and 93.2% of the Group’s revenue for the two years ended 31 March 2014 and 31 March 2015 were generated from design and build projects, while only approximately 2.8% and 6.8% of the Group’s revenue for the two years ended 31 March 2014 and 31 March 2015 were derived from building material products trading business predominantly in Hong Kong.

On the other hand, BuildMax (SZ) is principally engaged in the manufacture, supply and sales of building material products. The building material products are manufactured and processed in its Processing Factory operated by BuildMax (SZ) in the PRC on “own equipment manufacturing” basis.

Customers

As the Group is predominantly engaged in design and build projects in Hong Kong, its top five customers during Track Record Period were mainly construction contractors in Hong Kong. Its customers for trading of building material products are mainly main contractors and subcontractors in Hong Kong.

On the other hand, apart from the sale and supply of building material products to the Group in Hong Kong, BuildMax (SZ)’s target customers are mainly domestic customers in the PRC. BuildMax (SZ) does not carry out any construction works or be engaged in any design and build projects in both Hong Kong and the PRC.

Supplier and supplies

The nature of suppliers of the Group is different from that of BuildMax (SZ) as a result of the aforementioned differences in their respective business activities.

In respect of the Group’s provision of structural engineering works in design and build projects, the major suppliers of the Group are subcontractors engaged by the Group for undertaking installation works in construction projects. In respect of the Group’s building material products trading business, the major suppliers of the Group supply (i) processed or fabricated building material products and (ii) raw materials which need to be processed by the Group’s other

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

suppliers that provide processing or fabrication services such as BuildMax (SZ). On the other hand, the supplies to BuildMax (SZ) are raw materials of building material products which are to be processed by the Processing Factory operated by BuildMax (SZ). As a result, the supplier base of the Group does not overlap in any material aspect with that of BuildMax (SZ). Therefore, due to the different business models of the Group and BuildMax (SZ), the supplies of materials to the Group and those to BuildMax (SZ) are largely different.

Geographical Focus

During the Track Record Period, the Group conducted (i) in the provision of structural engineering works in the design and build projects in Hong Kong only; and (ii) the trading of building material products predominately in Hong Kong. On the other hand, BuildMax (SZ) is engaged in the manufacturing, sale and trading of building material business predominantly to the Group in Hong Kong and to customers in the domestic market in the PRC. It does not have any office or representative office in Hong Kong, hence, there will not be any overlapping of the business of the Group and that of BuildMax (SZ) in any geographical territory.

Pursuant to the Deed of Non-competition, BuildMax (SZ) shall only engage in the trading of building material products in the PRC unless such supply and sales of building material products is (i) to the Group; or (ii) to other customers outside the PRC but conducted through the Group. The Directors also confirmed that as at the Latest Practicable Date, they had no intention to expand the Group’s business to the manufacturing and trading of building materials or building material products in the PRC after [REDACTED]. As such, there will be no overlapping of geographical focus between the Group and BuildMax (SZ) after [REDACTED].

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected transactions” to this [REDACTED], 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 three executive Directors and three independent non-executive Directors. The executive Directors are Mr. Lui, Mr. Wai and Mr. Yip. One of the independent non-executive Directors, Ms. Lai Pik Chi, Peggy, is a Certified Public Accountant. The independent non-executive Directors will have been appointed before [REDACTED] 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.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Directors are of the view that the Directors and the management team of the Group are able to function independently from other entities owned by the Controlling Shareholders, in particular, BuildMax (SZ), based on the following grounds:

- (i) The management and daily operation of BuildMax (SZ) is undertaken by Mr. JH Liu, a PRC resident and the holder of 25% equity interests in BuildMax (SZ) and the senior management of BuildMax (SZ) based in the PRC and thus, the senior management of BuildMax (SZ) will work independently from the Group. Mr. JH Liu and the senior management in the PRC have not worked and will not work for the Group. Hence, the Controlling Shareholders, who are based in Hong Kong, have not and will not play any active role in the management and operation of BuildMax (SZ).
- (ii) 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 as quorum of the relevant board meeting. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest.
- (iii) Save for Mr. Lui, Mr. Wai and Mr. Yip, the Group has an independent senior management team to carry out and execute the business decisions of the Group independently. The Directors are satisfied that the Group’s senior management team will be able to perform their roles in the Company independently from the Controlling Shareholders and their respective associates after [REDACTED].
- (iv) In case (a) the Group proposes to enter into any transaction with the Controlling Shareholders which is subject to the Company’s independent shareholders’ approval pursuant to Chapter 20 of the GEM Listing Rules; and (b) with respect to the consideration or review of any matters referred to or under the Deed of Non-competition, the three independent non-executive Directors of the Company will be able to advise the Company, the disinterested Directors and/or the independent shareholders of the Company on the transactions.

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 also established a set of internal control mechanism to facilitate the effective operations of the Group’s business.

Apart from purchase of building material products from BuildMax (SZ), 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 also purchase building material

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

products from other suppliers and thus, the Group will not rely on BuildMax (SZ) or any single supplier for the supply of any kind of building material products. Though there will be transactions between the Group and BuildMax (SZ) after [REDACTED] with respect to the Group’s purchase of building material products from BuildMax (SZ), these transactions will constitute continuing connected transactions under the GEM Listing Rules, details of which are set out in the section headed “Connected Transactions” to this [REDACTED]. As these transactions are entered into in the ordinary course of business of the Group on terms which are fair and reasonable and in the interest of the Group and its Shareholders as a whole, the Directors do not consider any material reliance by the Group on the Controlling Shareholders.

Financial independence

The Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments, and independent access to third party financing. The Group makes financial decisions according to its own business needs.

During the Track Record Period and up to the Latest Practicable Date, Mr. Lui, Mr. Wai and Mr. Yip had provided personal guarantees for the banking facilities used by the Group. The banks have agreed in principle that the above personal guarantees will be released and replaced by the corporate guarantees executed by the Company upon [REDACTED]. Save as disclosed above, the Directors are of the view that the Group is not financially dependent on the Controlling Shareholders or their respective associates in the Group’s business operations and the Group is able to obtain external financing on market terms and conditions for its business operations as and when required.

NON-COMPETE UNDERTAKING

The Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-competition in favor of the Company (for itself and as the trustee for an on behalf of the members of the Group).

Pursuant to the Deed of Non-competition, each Covenantor undertakes that from the [REDACTED] and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be [REDACTED] on the Stock Exchange; or (ii) the date on which a Covenantor cease to be a Controlling Shareholder:

1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to the Company that each of them will not, and will procure that its/his close associates (except any members of the Group) will not, either on its/his own account or in conjunction with or on behalf of any person, firm or company directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Group (including but not limited to (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong, Macau, Singapore and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

United Kingdom (“**Restricted Territories**”)) or any other place where the Group has conducted business as at the date of the Deed of Non-competition or may conduct Business from time to time in the future (“**Restricted Businesses**”).

2. New Business

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Businesses other than through the Group.

Each of the Covenantors further undertakes to refer to the Company within ten days any and all new opportunities in connection with the Restricted Businesses outside the PRC (“**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business outside the PRC has first been offered or made available to the Group, and that the offer should contain all information reasonably necessary for the Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of the Group and the shareholders of the Company as a whole to pursue such opportunity, and the Company has, after review by the Independent Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his associate(s), provided that the principal terms by which that Covenantor (or its/his associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to the Company. A Covenantor may only engage in the New Business Opportunity outside the PRC if (i) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Group (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 15 days after the proposal of the New Business Opportunity is received by the Company.

The exception set out in the above paragraph shall not apply to any New Business Opportunity in or arising from the Restricted Territories and thus, the Covenantors shall not take up any New Business Opportunity within the Restricted Territories in any event, irrespective of whether the Company’s Non-acceptance Notice is obtained or not.

2. having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10.0% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5.0% of the issued shares of that class of the company in question (the “**Relevant Company**”), provided that (i) and the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) that at all times there is a holder (together, where appropriate, with its close associates) holding a larger percentage shareholding in the Relevant Company than the Covenantors and their respective associates together hold.
3. the transactions involved the supply and sales of building materials and products from the Covenantors (i) in the PRC domestically, or (ii) to the Group.

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 associates 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 under the Deed of Non-competition;
- (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 under the Deed of Non-competition 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 under the Deed of Non-competition 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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (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 under the Deed of Non-competition 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 in this paragraph headed “Corporate Governance Measures”, the Directors believe that the interests of the Shareholders will be protected.