

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED], Mr. Patrick Ma and Mrs. Gigi Ma, through Sunny Bright, together hold [REDACTED]%, of our Company’s entire issued share capital (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), and will remain as our Group’s Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, see “Substantial Shareholders” in this [REDACTED].

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group.

Our Controlling Shareholder, Mrs. Gigi Ma, is an executive Director, chairlady of our Board and chief executive officer of our Company and also the sole director of Coresmax and each of our Major Subsidiaries. For further details, see “Directors and Senior Management” in this [REDACTED].

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after [REDACTED] for the following reasons:

Management independence

Our management and operational decisions are made by our Board and our senior management team. Our Board comprises two executive Directors and three independent non-executive Directors. Despite that Mrs. Gigi Ma, an executive Director, chairlady of our Board and our chief executive officer, is the sole director of Coresmax and each of our Major Subsidiaries, and is also a Controlling Shareholder and the spouse of Mr. Patrick Ma who is also a Controlling Shareholder, we consider that our Board and our senior management team will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he or she acts for the benefit and in the best interests of our Company;
- (b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, Director(s) shall fully disclose such matters to the Board and abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in “Corporate Governance Measures” in this section; and

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- (c) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas and responsibilities. As at the Latest Practicable Date, our Group does not have and does not intend to enter into any connected transaction or continuing connected transaction which will continue on [REDACTED]. In the event our Group enters into any connected transactions or continuing connected transactions after [REDACTED], such transactions will only be entered into or conducted on normal commercial terms or better terms to our Group and on terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole and we will then also comply with all the applicable requirements under the [REDACTED] in relation to connected transactions and/or (as the case may be) continuing connected transactions.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, (i) we did not have any outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates; and (ii) there was no bank borrowings for which any of our Controlling Shareholders has provided personal guarantee. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the [REDACTED] as we expect that our working capital will be funded by our operating income and bank borrowings.

NON-COMPETITION DEED

In order to avoid any future competition between our Group and the Controlling Shareholders, our Controlling Shareholders have executed the Deed of Non-Competition with our Company (for itself and as trustee for its subsidiaries) on [●]. Pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, subject to the exceptions below, during the period that the Deed of Non-Competition remain effective, she/he/it shall not, and shall procure that her/his/its associates (other than any members of our Group) not to, directly or indirectly, carry on, participate in, be engaged, interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of our Group ("**Restricted Business**") in Hong Kong ("**Territory**").

Each of the Controlling Shareholders further undertakes that if she/he/it or her/his/its associates other than any members of our Group is offered or becomes aware of any business opportunity which may be a Restricted Business ("**Relevant Business Opportunity**"), she/he/it shall (and she/he/it shall procure her/his/its close associates to) notify our Company in writing and our Company shall have a right of first refusal to take up such Relevant Business Opportunity via any member of our Group ("**Right of First Refusal**"). Our Company shall, within two months after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the [REDACTED] from time to time), notify our Controlling Shareholders whether our Company will exercise the Right of First Refusal or not.

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Our Company shall only exercise the Right of First Refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such Relevant Business Opportunity), and where required under the [REDACTED], our independent Shareholders. The relevant Controlling Shareholders who are Directors and any other conflicting Directors (if any) shall abstain from voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the Right of First Refusal).

Notwithstanding the undertakings as stated above, nothing shall restrict the Controlling Shareholders and her/his/its respective close associates from:

- (i) investing, participating or be engaged in any Restricted Business outside the Territory where the Right of First Refusal is not exercised by our Company within the time period specified above, provided further that the principal terms on which the Controlling Shareholders or her/his/its relevant close associate invests, participates or engages in such Restricted Business outside the Territory are substantially the same as or not more favorable than those disclosed to our Company. Subject to the above, if the Controlling Shareholders or her/his/its relevant close associate decide to invest, participate or be engaged in such Restricted Business outside the Territory, whether directly or indirectly, the terms of such investment, participation or engagement must be disclosed to our Company and the Directors in writing as soon as practicable; and
- (ii) acquiring or holding or controlling the exercise of equity securities carrying voting rights less than 5% of the total issued share capital of a publicly listed company where a principal business of such company or its subsidiary is the Restricted Business and provided that neither the Controlling Shareholder nor her/his/its close associates participates in the management of such company.

The Deed of Non-Competition is conditional upon the fulfilment of the following conditions:

- (i) the [REDACTED] granting the approval for the [REDACTED] of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the [REDACTED] (including waiver of any conditions precedent by the [REDACTED], if applicable) and the [REDACTED] not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the [REDACTED] and our Company or the [REDACTED] and our Company have agreed to terminate the [REDACTED] thereafter, the Deed of Non-Competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-Competition.

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The Deed of Non-Competition shall terminate when (i) a Controlling Shareholder, whether individually or taken together with her/his/its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the [REDACTED] as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of the Company; or (ii) our Shares shall cease to be [REDACTED] and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that she/he/it fully comprehends her/his/its obligations to act in the best interests of our Company and our Shareholders as a whole.

To avoid potential conflicts of interest and to safeguard the interests of our Shareholders, our Company will implement the following measures:

- (a) our Controlling Shareholders will make an annual confirmation as to compliance with her/his/its undertaking under the Deeds of Non-Competition for inclusion in the annual report of our Company;
- (b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. See “Director and Senior Management” in this [REDACTED] for further details of our independent non-executive Directors;
- (c) our Company has agreed to appoint Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the [REDACTED] including various requirements relating to directors’ duties and internal controls. See “Directors and Senior Management — Compliance Adviser” in this [REDACTED] for further details in relation to the appointment of compliance adviser;
- (d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to safeguard the interests of our Shareholders.