
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Mr. Ho and Mr. Sieh entered into a deed of acting in concert confirmation and undertaking dated 20 March 2019, whereby they have, among other things, (a) confirmed and declared that prior to the execution of the deed of acting in concert confirmation and undertaking, they had acted in concert as a group and voted as a group (by themselves and/or through companies controlled by them) in respect of all shareholders' matters and corporate matters relating to the financials and operations of each member of our Group at its shareholder and board levels; and (b) undertaken that, upon execution of the deed of acting in concert confirmation and undertaking and during the period they (by themselves or together with their associates) remain in control of our Group until the deed of acting in concert confirmation and undertaking is terminated by all of them in writing, they shall continue to act in concert as a group and to vote as a group (by themselves and/or through companies controlled by them and/or their trustees) on an unanimous basis in respect of all shareholders' matters and corporate matters relating to the financials and operations of each member of our Group at its shareholder and board levels.

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), Good Hill (which is wholly owned by Mr. Ho and Mr. Sieh in equal share) will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company, therefore, Good Hill is our Controlling Shareholder. On the basis that Mr. Ho and Mr. Sieh have decided to restrict their ability to exercise direct control over our Company by holding their interests through Good Hill, Mr. Ho and Mr. Sieh are a group of our Controlling Shareholders.

Further, since Good Hill is a company controlled by Mr. Ho and Mr. Sieh, Good Hill, Mr. Ho and Mr. Sieh are together regarded as a group of our Controlling Shareholders pursuant to the deed of acting in concert confirmation and undertaking.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our day-to-day operations. During the Track Record Period, our Group relied principally on shareholder's equity, advances from related parties and cash generated from operations to finance our business.

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During the Track Record Period, our Group had certain amounts due from/to our Controlling Shareholders. Please refer to the sections headed "Financial Information – Discussion on selected items from the consolidated statements of financial position – Amount due from/(to) Director(s)" of this document and Note 17 of the Accountants' Report set out in Appendix I to this document for further details. As at the Latest Practicable Date, all amounts due from our Controlling Shareholders had been fully settled. All amounts due to our Controlling Shareholders will be fully settled prior to the [REDACTED]. In addition, during the Track Record Period and up to the Latest Practicable Date, we have arranged for the issuance of performance guarantee in relation to some projects (i.e. Projects F2, F3, F4 and G1 as referred to in the paragraph headed "Business – Business strategies – 4. Increasing our reserve for financing the issue of performance guarantees") which was secured by personal guarantees of Mr. Ho and Mr. Sieh. Please refer to the paragraphs headed "Business – Our customers – Principal terms of engagement" and "Business – Business strategies — 4. Increasing our reserve for financing the issue of performance guarantees" in this document for details. All such personal guarantees given by our Controlling Shareholders will be replaced by corporate guarantees given by our Company upon the [REDACTED].

Subsequent to the Track Record Period, A-City Workshop obtained general banking facilities with a total loan amount of up to HK\$10.0 million, which was secured by (i) personal guarantees of Mr. Ho and Mr. Sieh, all of which will be replaced by the corporate guarantee of our Company upon [REDACTED]; and (ii) a bank deposit of HK\$5.0 million placed by A-City Workshop. Please refer to the section headed "III. Events After The Reporting Period" of the Accountants' Report set out in Appendix I to this document for further details.

Having considered that our future operations is not expected to be financed by our Controlling Shareholders, the amounts due to or from our Controlling Shareholders and their respective close associates (other than members of our Group) will be fully settled and the personal guarantees given by our Controlling Shareholders will be replaced by corporate guarantees given by our Company upon the [REDACTED], our Directors consider that our Group is financially independent of our Controlling Shareholders.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates; and (iii) our Controlling Shareholders have no interest in any of our customers, suppliers or other business partners that are important to our operations, our Directors consider that our Group can operate independently from our Controlling Shareholders.

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Management independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises two executive Directors and three independent non-executive Directors. Other than being our executive Director, Mr. Ho and Mr. Sieh are also directors of Good Hill, which is also our Controlling Shareholder. Save as disclosed above, none of our Directors serves any executive or managerial role in Good Hill.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the best interest of our Group and not to allow any conflict between his duties as a Director and his personal interest. Our independent non-executive Directors are all well-educated with extensive experience in various professions and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different backgrounds provides a balance of views and opinions. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case both Mr. Ho and Mr. Sieh are required to abstain from voting at the Board meeting due to potential conflict of interest, our three independent non-executive Directors will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

In addition, our Group has an independent senior management team whose backgrounds are set out under the paragraph headed "Directors and Senior Management – Senior management personnel" of this document, none of whom serves any executive or managerial role in Good Hill.

NO COMPETING INTERESTS

Our Directors, Controlling Shareholders and their respective close associates (other than members of our Group) do not have any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

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CORPORATE GOVERNANCE MEASURES

Our Directors consider that we have adequate corporate governance measures in place to resolve actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

- (a) our Company has adopted the Articles which provide that unless otherwise provided in the Articles, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution;

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- (b) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. For details of our independent non-executive Directors, please refer to the section headed "Directors and Senior Management – Directors" in this document; and

- (c) we have appointed Grande Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the GEM Listing Rules and various requirements relating to directors' duties and corporate governance.