
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

CONTROLLING SHAREHOLDER

Mr. Chan will directly hold approximately [REDACTED] of the issued share capital of our Company immediately following completion of the [REDACTED], assuming the [REDACTED] is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme. Accordingly, Mr. Chan will be our Controlling Shareholder within the meaning of the Listing Rules. Mr. Chan has confirmed that he did not have any direct or indirect interest in any business or companies, save as disclosed in this document, that engage in any business activities that compete or may compete with our business activities. For further details, please refer to the section headed “Substantial Shareholders” in this document.

DEED OF NON-COMPETITION

In order to ensure that our Controlling Shareholder will not engage in any business undertaking in competition with our Group, Mr. Chan (the “**Covenantor**”) has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries from time to time) pursuant to which, the Covenantor has irrevocably undertaken with our Company that at any time during the Relevant Period (as defined below), the Covenantor shall, save for the Restricted Business (as defined below), not, and shall procure that none of his close associates (except any members of our Group) shall, directly or indirectly, among other things, carry on, participate or be interested in or be engaged in any business which is or may compete with the principal business engaged by our Group as described or contemplated in this document, including but not limited to the design, development, manufacturing and marketing of wired and wireless routers and the related businesses ancillary to any of the foregoing (the “**Restricted Business**”).

For the above purposes, the “**Relevant Period**” means the period commencing from the [REDACTED] and shall expire upon the earliest of the dates below:

- (i) the date on which the Covenantor and his close associates, individually or taken as a whole, ceases to be our Controlling Shareholder for the purpose of the Listing Rules; or
- (ii) the date on which our Shares cease to be [REDACTED].

Notwithstanding the above, the non-competition undertaking as set out above shall not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group, the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business; and (ii) it is in the interest of our Group and the Shareholders of our Company as a whole to pursue such opportunity has been offered to our Group, and our Company has, after review by the independent non-executive 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 his close associate(s), provided that the principal terms by which that Covenantor (or his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantor and/or his close associates (or any of them, as the case may be), pursuant to the above, the Covenantor and/or his close associates can invest, participate, be

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engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantor and/or his close associates (or any of them, as the case may be);

- (b) the investments in and operations of companies which are engaging in the Restricted Business in which the Covenantor (and his close associates) is already, directly or indirectly, interested as at the date of the document and details of which have been specifically disclosed in the document; and
- (c) having interests in the shares or other securities in a company engaged in Restricted Business whose shares are listed on a recognised Stock Exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; and
 - (ii) the total number of the shares held by the Covenantor and/or his close associates or in which they are together interested does not exceed 5% of the issued shares of that class of our company in question, provided that the Covenantor and/or his close associates are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the Covenantor and his close associates together hold.

Our Controlling Shareholder confirms that he is, and his close associates are neither engaged, nor interested, in any business (except for our Group's business) which, directly or indirectly, competes or may compete with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules. Our Directors confirm that none of them is interested in any business (except for our Group's business) which competes or is likely to compete, either directly or indirectly with our business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDER

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholder and his close associates (other than members of our Group) for the following reasons:

Management independence

Our Board comprises five executive Directors and three independent non-executive Directors. One of our Directors, Mr. Chan, is our Controlling Shareholder, and all our other Directors and senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independent from our Controlling Shareholder. Please refer to the section headed “Directors, Senior Management and Staff” in this document.

In addition, each of our Directors is aware of his fiduciary duties as a Director of our Company which requires, that he acts for the benefit and in the best interests of our Group and does not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such

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transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Based on the above, our Directors are of the view that our Board, as a whole, together with our senior management team, are capable of managing our business independently from our Controlling Shareholder.

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholder for the following reasons:

- (a) we have independent access to our customers;
- (b) we have also established a set of internal control policies to facilitate the effective operation of our business;
- (c) we have our own registered patents and computer software copyrights which we can use for producing our products and providing our services. We have also registered trademarks which we can use for marketing our products and services;
- (d) there is no competing business between our Group and our Controlling Shareholder; and
- (e) except for the lease of office premises in Hong Kong as described in the section headed “Continuing Connected Transactions” in this document, all of which our Directors consider can be replaced if necessary within a short period of time without incurring significant costs, there is no connected transaction between our Controlling Shareholder or his close associates and any member of our Group.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholder and his close associates.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. We have our own internal control and accounting systems and accounting and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholder.

As at 31 December 2013, 2014 and 2015, the amounts due to Mr. Chan, our Controlling Shareholder, and/or his close associates (details of which are set out in Note 18 to the Accountants’ Report in Appendix I to this document) were approximately US\$246,079, US\$153,633 and US\$1,808,699, respectively. All amounts due to Mr. Chan and/or his close associates were subsequently fully settled in June 2016. Mr. Chan provided limited guarantees of HK\$22.00 million, HK\$22.00 million and HK\$30.60 million (equivalent to approximately US\$2.84 million, US\$2.83 million and US\$3.95 million) for each of the three years ended 31 December 2015, respectively, for our Group’s bank facilities in favour of the banks. All limited guarantees given to the banks will be released upon the [REDACTED].

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Confirmation given by our Directors

Each Director confirms that he does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (ii) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Covenantor under the non-competition undertaking set out in the paragraph headed “Deed of Non-Competition” in this section;
- (iii) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Southwest HK Capital as our compliance adviser with effect from the [REDACTED];
- (iv) the Covenantor undertakes to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking set out in the paragraph headed “Deed of Non-Competition” in this section;
- (v) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the undertaking of the Covenantors under the non-competition undertaking set out in the paragraph headed “Deed of Non-Competition” in this section, in the annual reports of our Company;
- (vi) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholder; and
- (vii) the Covenantors will make an annual declaration in compliance with their undertaking under the Deed of Non-Competition in the annual report of our Company.