

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED]% by Rich Blessing, which is owned as to 62.91% by Mr. Ma, 20.00% by Ms. Chen, 14.89% by Ms. Cheng Lihong, and 2.20% by Mr. Cheng. Ms. Cheng Lihong is the spouse of Mr. Ma and the elder sister of Mr. Cheng; and Mr. Cheng is the younger brother of Ms. Cheng Lihong and the brother-in-law of Mr. Ma.

Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng (the “**Individual Controlling Shareholders**”) executed the Acting in Concert Confirmation on 28 February 2018, pursuant to which the Individual Controlling Shareholders confirmed the existence of their acting concert arrangements in the past, as well as their intention to continue to act in the above manner upon [REDACTED] to consolidate their control over the Group during the period when all of them directly or indirectly held the equity interest in the Group. Pursuant to the Acting in Concert Confirmation, the Individual Controlling Shareholders confirm that, among others, they shall reach a consensus prior to approving any matters in the Shareholders’ meetings or the Board meetings of the Company and exercise his/her voting right according to such consensus unanimously. If any party do not agree on the kind of voting rights to be exercised and how to exercise the voting rights on the relevant major issues, the parties unanimously agree to vote in accordance with the opinion of Mr. Ma.

Although Ms. Chen, Ms. Cheng Lihong and Mr. Cheng do not hold more than 50% interest in Rich Blessing, each of them along with Mr. Ma have decided to restrict their ability to exercise direct control over our Company by holding their interests through Rich Blessing. In addition, Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng have been and will continue to be parties acting in concert in respect of our Group. As such, Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and Rich Blessing are regarded as a group of Controlling Shareholders of our Company under the Listing Rules.

### **NON-COMPETITION UNDERTAKINGS**

Our Controlling Shareholders have confirmed that they do not have any interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with our business from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity related to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving a written notice (“**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and providing the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only of independent non-executive Directors which has no interest in the Competing Business Opportunity (the “**Independent Board**”)) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of the Shares or the Shares cease to be listed on the Stock Exchange.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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In order to promote good corporate governance practices and to improve transparency in respect of any potential conflict of interests between our Group and our Controlling Shareholders, we have adopted the following corporate governance measures:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that he/she/it will and will procure his/her/its relevant close associates that he/she/it or any of his/her/its close associates will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

## **INDEPENDENCE FROM CONTROLLING SHAREHOLDERS**

Having considered the following factors, our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after completion of the [REDACTED].

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **Management Independence**

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by our senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board currently consists of three executive Directors and three independent non-executive Directors. Mr. Ma and Mr. Cheng are brothers-in-law. Apart from Mr. Ma, who is the sole director of Rich Blessing, no other Director holds any directorship or senior management position in Rich Blessing. While each of our executive Directors, namely Mr. Ma, Ms. Chen and Mr. Cheng is also a Controlling Shareholder, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. 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 respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from our Controlling Shareholders.

### **Operational Independence**

We are independent from our Controlling Shareholders as we have our own marketing, production, administration, finance and human resources teams which operate and are expected to operate separately and independently of our Controlling Shareholders. We also have independent access to suppliers and customers. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

### **Financial Independence**

We have established our own finance department with independent financial staff who are responsible for financial management, accounting treatment, financial reporting, group credit and internal control of our Group. We can make financial decisions independently without interference from our Controlling Shareholders. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. We maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. Our Directors are of the view that we have sufficient capital to operate our business independently, and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons.

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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During the Track Record Period, there were certain amounts due to and from our Controlling Shareholders and/or the companies controlled by them, details of which are set out in note 28 of the Accountant's Report set out in Appendix I to this document. Such amounts had been fully settled as at the Latest Practicable Date. In addition, as at 31 December 2015, 2016 and 2017, our Group had certain bank borrowings that were secured by personal guarantees given by Mr. Ma, or Mr. Ma and Ms. Cheng Lihong (our Controlling Shareholder) and/or a corporate guarantee given by a related company controlled by Mr. Ma, details of which are set out in note 25 of the Accountant's Report set out in Appendix I to this document. Such guarantees will be released and be replaced by corporate guarantee from our Company upon [REDACTED].

Based on the foregoing, our Directors are of the view that we are financially independent from our Controlling Shareholders and their respective close associates.

## **CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST**

Our Controlling Shareholders and their respective close associates must not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/she/it fully understands his/her/its obligation to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparations 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 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;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed to include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe that our independent non-executive Directors possess sufficient experience and 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 an impartial, and independent opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the paragraph headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors"; and
- (d) we have appointed Dakin Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.