
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised), our Controlling Shareholders will be beneficially interested in an aggregate of 75% of the issued share capital of our Company.

Ms. Lovinia Chiu, one of our Controlling Shareholders, is also the chairman of our Board, executive Director and chief executive officer of our Company. See “Directors and senior management” in this document for further details on the background information on Ms. Lovinia Chiu.

DEED OF NON-COMPETITION

Each of our Directors and our Controlling Shareholders have confirmed that, as at the Latest Practicable Date, none of them or any of their respective close associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

Our Controlling Shareholders provided a Deed of Non-Competition in favour of us, pursuant to which our Controlling Shareholders undertook not to, and to procure her/its respective close associate(s) (as appropriate) (other than our Group) not to, either directly or indirectly, compete with our business. Our Controlling Shareholders have further irrevocably undertaken in the Deed of Non-Competition that, during the term of the Deed of Non-Competition, she/it will not, and will also procure her/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with any business of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and her/its close associates after the [REDACTED].

Management independence

Our Board will comprise four executive Directors, one non-executive Director and three independent non-executive Directors upon [REDACTED].

On the basis of the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Controlling Shareholders:

- (a) one-third of our Board is made up of independent non-executive Directors who have extensive experience in different industries and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinion;

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- (b) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and
- (d) connected transactions between our Group and our Controlling Shareholders or her/its respective close associates are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Controlling Shareholders after [REDACTED].

Operational independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and her/its respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and her/its respective associates after [REDACTED]:

- (a) we are not reliant on intellectual property rights owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) we have sufficient capital, equipment and employees to operate our business independently;
- (c) we have our own organisational structure which consists of various departments, each department being assigned with specific responsibilities; and
- (d) neither our Controlling Shareholders nor her/its respective associates have any interest which competes or is likely to compete with the business of our Group.

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Financial independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

We are financially independent of our Controlling Shareholders and her/its close associates. No loans or guarantees were provided by, or granted to, our Controlling Shareholders or her/its respective associates during the Track Record Period and as at the Latest Practicable Date.

Based on the above, our Directors are of the view that our Company is capable of carrying on our business independently of, and will not be unduly reliant on our Controlling Shareholders and her/its close associates after the [REDACTED].

CORPORATE GOVERNANCE

Other than deviation from Code Provision A.2.1 as disclosed in "Directors and Senior Management – Code Provision A.2.1 of the Corporate Governance Code" in this document, our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration as well as communications with shareholders.

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders meeting is to be held for considering proposed transactions in which the Controlling Shareholders or her/its associates have a material interest, the Controlling Shareholders shall not vote on the resolutions and shall not be counted in the quorum for the voting;
- (b) the Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if the Company enters into connected transactions with the Controlling Shareholders or her/its associates, the Company will comply with the applicable Hong Kong Listing Rules;
- (c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in "Directors and Senior Management" individually and together possess the requisite knowledge and

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experience. All of our independent non-executive Directors are experienced. They will review whether there are any conflicts of interest between the Group and the Controlling Shareholders annually and provide impartial and professional advice to protect the interest of our minority Shareholders; and

- (d) we have appointed Guotai Junan 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 corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders’ rights after the [REDACTED].