
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Evolve Billion. Evolve Billion is an investment holding company incorporated in BVI and is owned as to 80% by Mr. KS Chan and 20% by Mr. WP Chan. On the basis of (i) the Acting in Concert Undertaking; and (ii) that Mr. KS Chan and Mr. WP Chan hold their respective interests in our Company through a common investment holding company, i.e. Evolve Billion, which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company. Evolve Billion, Mr. KS Chan and Mr. WP Chan are regarded as a group of Controlling Shareholders under the Listing Rules. For details of the Acting in Concert Undertaking, please refer to the paragraph headed “History, development and Reorganisation – Acting in Concert Undertaking” in this document.

Mr. KS Chan and Mr. WP Chan are the founders of our Group and our executive Directors and have been leading the development of our Group. In addition, Mr. KS Chan is also the chairman of our Board and the chief executive officer of our Group. For details of their background and experience, please refer to the paragraph headed “Directors and senior management – Directors” in this document.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

In addition, each of our Controlling Shareholders has given certain non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed “Non-competition undertakings” in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholders upon or shortly after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

Management independence

Our Group has an independent management team comprising our executive Directors and senior management who have substantial experience in the business of our Group. Our management team is able to implement the policies and strategies of our Group and performs its roles in our Company independently.

Our Group aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board comprises two executive Directors and three independent non-executive Directors. Our three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our Group's overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Further, each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Company and our Shareholders as a whole, 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 Board meetings in respect of such transactions and shall not be counted in the quorum. In case Mr. KS Chan and Mr. WP Chan are required to abstain from voting at Board meetings due to potential conflict(s) of interest, our independent non-executive Directors will be able to form a quorum and ensure that the decisions of our Board are made after due consideration of independent and impartial opinion.

In view of the aforesaid, our Directors are of the view that our Group is capable of managing our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, and marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, our Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate our businesses independently. Our Group has also established various internal control procedures to facilitate the effective operation of our business.

We have not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. Our Group makes financial decisions according to our own business needs.

The accounting and finance department of our Group will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, Mr. KS Chan had provided personal guarantees and securities for the banking facilities granted to our Group. All such personal guarantees and securities given by Mr. KS Chan, will be replaced by a corporate guarantee given by our Company or released or otherwise settled in full before or upon the [REDACTED]. During the Track Record Period, Mr. KS Chan had made cash advances to our Group from time to time to strengthen our working capital. As at 31 March 2019, 2020, 2021 and 2022, our Group recorded amount due to Mr. KS Chan of approximately HK\$27.9 million, HK\$23.0 million, HK\$15.3 million and HK\$10.7 million, respectively. All amounts due by our Group to Mr. KS Chan will be settled or capitalised before the [REDACTED].

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the business operations of our Group and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

Independence from major suppliers

Our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Independence from major customers

Save for holding an insignificant amount of shares in the holding company of Customer E, a company listed on the Stock Exchange, for passive investment purpose from time to time by Mr. KS Chan, Ms. Tsang and the spouse of Mr. WP Chan, our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders as covenantors (each a “**Covenantor**”, collectively, the “**Covenantors**”) executed the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and confirm that none of them nor any of their close associates (other than any member of our Group) is engaged in any business which directly or indirectly, competes or is likely to compete with the business of our Group, or has any interest, in such business.

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the [REDACTED] and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be [REDACTED] on the Stock Exchange; (b) the date on which the Covenantors cease to be a Controlling Shareholder; or (c) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued capital of our Company:

1. Non-competition

He/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (excluding any member of our Group) (the “**Controlled Company**”) not to, either on his/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by our Company or any of our subsidiaries in Hong Kong and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including undertaking wet trades works in Hong Kong (the “**Restricted Business**”).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Deed of Non-competition does not apply if the Controlled Person(s) and Controlled Company(ies) in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and the Relevant Company is listed on any recognised stock exchange, notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that:

- (a) the shareholding of any one holder (and his/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Person(s) and the Controlled Company(ies) in aggregate at any time;
- (b) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company; and
- (c) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

- (a) He/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable our Company to make an informed assessment of such opportunity; and
- (b) He/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/its attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company(ies) or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

3. Corporate governance measures

In order to resolve actual or potential conflicts of interests between our Company and our Controlling Shareholders and to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors) and shall not be counted towards the quorum for such meeting;
- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct an annual review on the compliance with the terms of the Deed of Non-competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue an announcement in relation to any decision and where applicable the reasons for such decision made by our independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reasons in case of decline with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (d) disclose the decision(s) and related basis on matters reviewed by our independent non-executive Directors in relation to our Company's compliance with and enforcement of the Deed of Non-competition and make a declaration in relation to the compliance with and enforcement of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with and enforcement of the Deed of Non-competition are in accordance with the requirements of the Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company and/or our subsidiaries against any loss, liability, damage, cost, fee and expense as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition; and
- (f) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Stock Exchange granting the [REDACTED] of, and the permission to deal in, our Shares; and (b) the [REDACTED] and [REDACTED] in our Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them has interests in other businesses that compete or may compete with the business of our Group, our Directors are of the view that our Group is capable of carrying on our Group's business independently of the Covenantors after the [REDACTED].