
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account our Shares which may be issued pursuant to the exercise of the [REDACTED] and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Li, Mr. Wang, Ms. Deng, Mr. Zhang and Deep Blue Ocean will be our Controlling Shareholders collectively and beneficially interested in [REDACTED]% of our issued share capital. See “History, Reorganisation and Corporate Structure” for further details of the shareholding structure among our Controlling Shareholders.

In this relation, Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang have agreed to act in concert to consolidate and maintain their control over our Company until they reach consensus to terminate the same in writing. In particular, Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang will, by consensus, act in concert at the board or shareholder’s meetings of the Company as well as the shareholders meetings of Deep Blue Ocean. Accordingly, Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang will together be entitled to, through Deep Blue Ocean, exercise and control [REDACTED]% of our entire issued share capital immediately upon [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our Board comprises five executive Directors and three independent non-executive Directors. See “Directors and Senior Management” for further details.

Our managerial decision makers are empowered to provide input into and have final approval of development of corporate strategy and performance objectives. Their managerial roles include, among others, independently reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance. Our Directors and senior management are familiar with the fundamentals of our Company’s business, its operations and informed about our Company’s activities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group has established (i) an audit committee; (ii) a remuneration committee; and (iii) a nomination committee. Each committee includes independent non-executive Directors so as to monitor the operations of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgement and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

Each Director understands that, he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. 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) and their respective close associate(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.

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of our Group. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

Further, our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board. Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licences, approvals and certificates to carry on our business and we have sufficient operational capacity in term of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers and an independent management team (including our directors and senior management) to handle our daily operations. We have our own headcount of employees for our operations and management for human resources. We have also

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

established a set of internal control procedures to facilitate and maintain the independent operation of our business. As at the Latest Practicable Date, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the [REDACTED].

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system.

Our Directors confirmed that the non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/her/it will be fully settled before [REDACTED]. The bank and other loans guaranteed by the Controlling Shareholders and their close associates will be released or fully repaid before the [REDACTED]. As none of loans, guarantees or pledge provided by, or granted to, our Controlling Shareholders will continue after [REDACTED], we will not rely on our Controlling Shareholders for financing after the [REDACTED] and we will have sufficient working capital to operate our business independently.

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

LOCK-UP UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07(1) of the Listing Rules

Each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, as a controlling shareholder, he/she or it shall not, at any time during the (i) first six-month period commencing on the [REDACTED] (the “**First Six-month Period**”), which is required under the Listing Rules, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which, he, she or it is shown in this document to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Relevant Securities**”); and (ii) the six-month period commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), which is required under the Listing Rules, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder of our Company and/or a group of controlling shareholders of our Company.

DEED OF NON-COMPETITION

For the purpose of the [REDACTED], our Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of our Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/she/it would not, and would procure that his/her/its close associates (except any members of our Group) not to, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

The “Restricted Business” stated in the Deed of Non-competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with the existing business activities of our Group as set out in “Business”.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has also undertaken to our Company 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 Deed of Non-competition and each of them has further undertaken to our Company (for itself and for the benefit of each other member of our Group) that in the event that he/she/it or his/her/its close associate(s) (other than any member of our Group) (the "**Offeror**") is given/identified/offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "**New Opportunity**"), he/she/it will and will procure his/her/it close associates to refer the New Opportunity to our Company as soon as practicable in the following manner:

- (i) each of our Controlling Shareholders is required to, and shall procure his/her/its close associates (other than any member of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice (the "**Offer Notice**") to our Company of any New Opportunity containing all information reasonably necessary for our Company to consider whether (a) such New Opportunity would constitute competition with our Group's core business or the Restricted Business; and (b) it is in the interest of our Group to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs; and
- (ii) upon receiving the Offer Notice, our Company shall seek approval from a board committee (comprising, among others, all our independent non-executive Directors who do not have interest (actual or potential, direct or indirect) in the New Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless his/her attendance is specifically requested by the Independent Board) and voting at, or counting towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity;
 - (a) the Independent Board shall take into account all relevant factors in considering whether the Company shall pursue the New Opportunity, including, among others, the financial impact of pursuing the New Opportunity, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions; if appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisers, legal advisers and other professional experts to assist in the decision-making process in relation to such New Opportunity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) the Independent Board shall, within 20 business days upon receipt of the Offer Notice, inform the relevant Controlling Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;
- (c) the relevant Controlling Shareholder and/or his/her/its close associate(s) shall be entitled but not obliged to pursue such New Opportunity if he/she or it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board has failed to respond within such 20 business days period (or any extended period, where applicable) pursuant to sub-paragraph (ii)(b) above; and
- (d) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, he/she or it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were as New Opportunity.

The aforesaid undertakings do not apply to the holding of or interests in shares or other securities by our Controlling Shareholders and/or their respective close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a stock exchange and either:

- (i) the Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
- (ii) the total number of the shares held by the relevant Controlling Shareholder and his/her/its close associates does not exceed 10% of the issued shares of that class of that company, provided that such Controlling Shareholder and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate with his/her/its close associates) whose shareholding in that company should be more than the aggregate number of shares held by such Controlling Shareholder and his/her/its close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) our Shares remain [REDACTED] on the Stock Exchange; (ii) so far as each Controlling Shareholder is concerned, he/she/it or his/her/its close associates hold an equity interest in our Company; and (iii) so far as each Controlling Shareholder is concerned, he/her/it and/or his/her/its close associates are jointly or severally entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company is no longer [REDACTED] on the Stock Exchange or the relevant Controlling Shareholder and/or his/her/its close associates come to hold less than 30% of our Shares then issued, or cease to be entitled to control jointly and severally, in aggregate, 30% or more of the voting power at general meetings of our Company, the Deed of Non-competition will cease to apply to that relevant Controlling Shareholder.

CORPORATE GOVERNANCE MEASURES

In order to manage any potential conflict of interests arising from the possible competing business between our Group and our Controlling Shareholders and to safeguard the interests of our independent Shareholders, we have adopted the following measures:

- (i) our Board will ensure that any material conflict or potential conflict of interests involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable. A Director shall absent himself/herself from participation in the board meeting (nor shall he/she be counted in the quorum) and voting on any resolutions of our Board approving any contract, arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, him/her to act for the benefit of our Company and the Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests;
- (iii) we have appointed Quam Capital Limited as our compliance adviser upon [REDACTED], which will provide advice and guidance to us with respect to compliance with the applicable laws and regulations, in particular the Listing Rules;
- (iv) in addition to the Compliance Adviser’s role and responsibilities after the [REDACTED] to provide advice to our Company on the continuing obligations under the Listing Rules and applicable laws and regulations, our Company will retain a Hong Kong legal adviser to advise us on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the [REDACTED];

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) our independent non-executive Directors will review, at least on an annual basis, compliance with the Deed of Non-competition by our Controlling Shareholders; each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors in relation to the compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition; and

- (vi) pursuant to the CG Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company expects to comply with the CG Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with shareholders. Our Company will state in our interim and annual reports whether we have complied with such code provisions, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

In the event that our Company decides not to proceed with any project or pursue any business opportunity and that our Controlling Shareholders decide to proceed with such a project or pursue such a business opportunity, we will announce such decision by way of an announcement setting out the basis for us not taking up the project or pursuing the business opportunity.

Our Directors consider that the above corporate governance measures are adequate and effective to manage any potential conflict of interests between our Group and our Controlling Shareholders and to protect the interests of our Shareholders.