
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and Capitalisation Issue, ECI Asia will directly hold 75% of the total issued share capital of our Company (without taking into account any Shares which may be issued upon the exercise of share options which may be granted under the Share Option Scheme). ECI Asia is an investment holding company incorporated on 26 August 2016 in the BVI. The entire issued share capital of ECI Asia is owned by Dr. Ng.

For the purpose of the GEM Listing Rules, Dr. Ng and ECI Asia are our Controlling Shareholders of our Company.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or above.

Competing Interests

Save and except for their respective interest in our Company, none of our Controlling Shareholders nor any of their respective associates had interests in any other companies that compete or are likely to compete, either directly or indirectly, with the business of our group during Track Record Period and as at the Latest Practicable Date.

Undertakings

Our Controlling Shareholders have given certain undertakings in respect of the Shares (including those as required by Rules 13.16A and Rule 13.19 of the GEM Listing Rules) to our Company, the Stock Exchange, the Sponsor, the Joint Bookrunners and the Underwriters. Please refer to the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Undertakings by our Controlling Shareholders” in this prospectus for further details.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying its business independent of our Controlling Shareholders and their respective associates following the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our Board comprises two Executive Directors, one non-executive Director and three independent non-executive Directors. Save as disclosed in the section headed “Directors and senior management” in this prospectus, there is no other relationship among our Directors.

Our Directors are of the view that our Company is capable of maintaining management independence as:

- our Group’s strategies, management, operations and affairs are formulated, led, managed and/or supervised by our Board and not by any individual Director. All major and important corporate actions of our Company are and will be fully deliberated and determined by our Board collectively and objectively as a collective body;
- pursuant to the terms of the service contracts entered into between our Company and the Executive Directors, every Executive Director is required to devote substantially the whole of his time, attention and abilities during normal business hours and such additional hours as may reasonably be requisite to our Group;
- in the event that there is a potential conflict of interest in or arising out of any transaction to be considered and approved by our Board, the interested Director(s) shall abstain from voting at the relevant meeting of our Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the GEM Listing Rules; and
- our Group has three independent non-executive Directors, who are not associated with our Controlling Shareholders or their respective associates. Resolutions of our Board approving any matters in which any of the Executive Directors has a potential conflict of interest and/or material interest will only be considered and approved by the independent non-executive Directors (as under the provisions of the Articles and the GEM Listing Rules, the Executive Directors will then be prohibited from voting on the resolution(s) and will not be counted towards the quorum of the relevant Board meetings at which the relevant resolution(s) is/are approved). The independence of our Board’s decisions in respect of any matters in which any of our Group’s Executive Directors has a potential conflict of interest and/or material interest is and can be ensured.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has its own organisational structure made up of divisions including management and administration, finance and accounting, sales, technical teams, customer service and other divisions. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our Group's business. Our Group has independent access to the suppliers or materials necessary for the operation of its business as well as customers which are all Independent Third Parties.

Our Directors consider that the Group's operations do not depend on the Controlling Shareholders because (i) there is no competing business between the Group and any of the Controlling Shareholders; and (ii) the Group will not be relying on any guarantee provided by any of the Controlling Shareholders in respect of bank borrowings nor has the Group given any guarantee for the benefit of any of the Controlling Shareholders after Listing.

On the basis of the matters disclosed in this section, the Directors believe that the Group is capable of carrying on its business independently of the Controlling Shareholders and their respective close associates.

Financial independence

Our Group has established a financial system (including bank accounts) that operates independently. During the Track Record Period, certain banking facilities granted to our Group were secured by personal guarantees provided by Dr. Ng. The corresponding bank with banking facilities granted to our Group has agreed in principle that the personal guarantees will be released and replaced by a corporate guarantee to be issued by our Company. The bank loans which are guaranteed under the SME Financing Guarantee Scheme operated by the HKMC, and the outstanding finance lease liabilities, would be settled before Listing. So upon such settlement, all the corresponding personal guarantees provided by Dr. Ng will be released upon Listing. Please refer to the section headed "Financial information" for further details. As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders, our Directors and their respective associates. All loans and advances due from/to our Controlling Shareholders, our Directors and their respective associates will be fully settled before Listing. Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders, Directors and their respective associates in the operation of its business.

The Directors believe that our Group is capable of obtaining financing from the Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which our Controlling Shareholders have undertaken to us (for ourselves and as trustee for each of our subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of our Group) shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of our Group in Hong Kong or such other places as our Group may conduct or carry on business from time to time (the “**Restricted Business**”).

Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that, with effect from the Listing Date, in the event that any of them and/or any of their close associates (except any members of our Group) is offered or becomes aware of any future business opportunity that may, directly or indirectly, compete with the Restricted Business (the “**Competing Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, they:

- shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to enable it to come to an informed assessment of such Competing Business Opportunity, and shall, upon request by the Company, assist the Group to obtain such Competing Business Opportunity in terms no less favourable than those offered to any of the Covenantors; and
- shall not, and shall procure their close associates (other than members of our Group) not to, invest or participate in the Competing Business Opportunity unless the Competing Business Opportunity has been rejected by our Company and such decision of the Company shall be approved by the independent non-executive Directors, and in respect of the Competing Business Opportunity, the principal terms on which our Controlling Shareholders or their respective close associates invest or participate are no more favourable than those made available to the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has further undertaken to our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that, with effect from the Listing Date, they shall not and shall procure that none of their close associate (except for any members of our Group) shall directly or indirectly:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person through or as manager, advisor, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or to reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

The above undertakings do not apply where the Controlling Shareholders and/or their respective close associates have interests in the shares or any securities of a company that engages in the Restricted Business whose shares are listed on a recognised stock exchange provided that (a) the total number of shares held by our Controlling Shareholders and/or their respective close associates in aggregate shall not exceed 5% of the issued shares of that class of the company in question, (b) each of our Controlling Shareholders and their respective close associates are not entitled to appoint a majority of the directors of that company, and (c) at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate.

Furthermore, our Controlling Shareholders have undertaken that they will use their best endeavours and will procure their close associates (except for members of our Group) to use their best endeavours to procure that their respective employees and any company under their control, whether individually or jointly, directly or indirectly (except for those within our Group), to observe the restrictions and undertakings contained in the Deed of Non-competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders represent and warrant that, as of the date of the Deed of Non-competition, none of them, their close associates or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through our Group or is otherwise engaged in any business which is in competition or material competition to those of our Group.

Under the Deed of Non-competition, each of our Controlling Shareholders further undertake to and covenant with our Company (for ourselves and as trustee for our subsidiaries from time to time) that during the period for which the Deed of Non-competition is in force:

- they shall allow, and shall procure that the relevant close associates (excluding members of our Group) to allow the independent non-executive Directors to review, at least on an annual basis, whether each of our Controlling Shareholders are in compliance with the Deed of Non-competition;
- they shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcement to the public; and
- they shall provide our Company with a confirmation annually for inclusion by our Company in the annual report, in respect of their compliance with the terms of the Deed of Non-competition.

The undertakings given by each of our Controlling Shareholders under the Deed of Non-competition shall lapse and our Controlling Shareholders shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- the day on which our Shares cease to be listed on the Stock Exchange;
- the day on which our relevant Controlling Shareholders and/or his/its close associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Covenantor ceases to be a controlling shareholder of our Company; or
- the day on which our relevant Controlling Shareholder beneficially owns or is interested in the entire issued share capital of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

To further protect the interests of the minority Shareholders of our Company, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

- the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders; each of our Controlling Shareholders undertakes to provide all information requested by us which is necessary for fulfilment of the Deed of Non-competition, including the annual review by the independent non-executive Directors;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with the Deed of Non-competition in our Company's annual reports; and
- each of our Controlling Shareholders will make an annual declaration in relation to compliance with the Deed of Non-competition in the annual reports of our Company

Further, any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.