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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Schemes), World Empire, which is owned as to 40% by Mr. Cheng Sze Kin (鄭斯堅), 35% by Mr. Cheng Sze Tsan (鄭斯燦) and 25% by Ms. Wong Pik Hung (王碧紅), will be beneficially interested in 75% of our issued share capital. World Empire, Mr. Cheng Sze Kin (鄭斯堅), Mr. Cheng Sze Tsan (鄭斯燦) and Ms. Wong Pik Hung (王碧紅) will be our Controlling Shareholders.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Neither World Empire, Mr. Cheng Sze Kin (鄭斯堅), Mr. Cheng Sze Tsan (鄭斯燦) nor Ms. Wong Pik Hung (王碧紅) controls or conducts any business which competes, or is likely to compete, with our business. Our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing for the following reasons:

#### Management independence

Our management and operational decisions are made by our executive Directors and senior management, most of whom have substantial experience in the industry in which we are engaged. Although three of our Controlling Shareholders (namely, Mr. Cheng Sze Kin (鄭斯堅), Mr. Cheng Sze Tsan (鄭斯燦) and Ms. Wong Pik Hung (王碧紅)) also act as our executive Directors, each of them is aware of his/her fiduciary duties as a Director whose duties require, among other things, that he or she acts for the benefit and in the best interest of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event of a conflict of interest or duty, those Directors with a conflicting interest shall abstain from voting when a conflicted resolution is to be discussed and voted on. Further, our other executive Director Mr. Sung Shuk Ka (宋叔家) and our three independent non-executive Directors will ensure that the decisions of the Board are made after due consideration of independent and impartial opinions.

#### Operational independence

We (through our subsidiaries) hold all relevant licences necessary to carry on our businesses, and have sufficient capital, equipment and employees to operate our businesses independently of any of our Controlling Shareholders.

Save as disclosed in the section headed “Connected Transactions” in this Prospectus, our Directors do not expect that following the Listing, there will be any other business transactions between the Group and any of our Controlling Shareholders.

Based on the above, our Directors are of the view that we are independent of the Controlling Shareholders in terms of business operations.

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### **Administrative independence**

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and development. We do not share any administrative functions with our Controlling Shareholders. The company secretary and senior management staff are independent of any of our Controlling Shareholders.

### **Financial independence**

The Group has established and maintained independent internal control and accounting systems, accounting and finance departments, independent treasury function for cash receipts and payments, and independent access to third party financing.

During the Track Record Period, our Controlling Shareholders had provided loans to the Group and personal guarantees to secure bank loans of the Group. Our Directors confirm that all such loans had been repaid in full as at the Latest Practicable Date and all such personal guarantees will be released upon the Listing.

### **NON-COMPETITION UNDERTAKINGS**

Each of the Controlling Shareholders has confirmed that neither he/she/it, nor any of his/her/its associates, is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in business, which competes or is likely to compete, directly or indirectly, with the Group's business (as disclosed in this Prospectus) and would require disclosure under Rule 8.10 of the Listing Rules.

Each of our Controlling Shareholders has entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company to the effect that with effect from the Listing Date, each of them will not, and procure that none of its respective associates shall, except through the Group, (i) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or be in competition with any member of the Group in any business activities (the "Restricted Business") which any member of the Group may undertake in the future in Hong Kong, Macau and the PRC (the "Restricted Territory") save for the holding of not more than 5% shareholding interests in any listed company and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of any of the Group's business activities in the Restricted Territory including, but not limited to, solicitation of the Group's customers, suppliers or personnel of any member of the Group.

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Each of our Controlling Shareholders has also undertaken with us that with effect from the Listing Date, if any new business opportunity relating to the Restricted Business in the Restricted Territory (the “Business Opportunity”) is made available to each of them or their respective associates, it shall direct to us any such Business Opportunity by serving a written notice which shall include all information together with any documents possessed by it or its associates in respect of the Business Opportunity to enable us to evaluate the merit of the Business Opportunity and all reasonable assistance as requested by us to enable the Group to secure the Business Opportunity. Our Controlling Shareholders shall not be allowed to pursue the Business Opportunity even if we decide not to pursue such Business Opportunity.

The Deed of Non-competition also provides, amongst other things, that:

- (i) each of our Controlling Shareholders undertakes to provide to us all information necessary for the enforcement of the undertakings contained in the Deed of Non-competition; and
- (ii) if required by us, each of our Controlling Shareholders undertakes to make a statement in the annual report of the Company confirming compliance by each of them and their respective associates with the terms of the Deed of Non-competition after the Listing Date.

The Deed of Non-competition will cease to have effect on any of the Controlling Shareholders if (i) the Shares cease to be listed on the Stock Exchange; or (ii) the Controlling Shareholders and their respective associates in aggregate cease to be interested (directly or indirectly) in 30% or more of the entire issued share capital of the Company.

Based on all necessary information so undertaken to be provided by our Controlling Shareholders pursuant to the terms of the Deed of Non-Competition for the enforcement of the undertakings contained therein, our independent non-executive Directors will review, at least on an annual basis, compliance with the Deed of Non-Competition by the Controlling Shareholders. We will disclose all decisions, if any, on matters reviewed by our independent non-executive Directors relating to the enforcement of the Deed of Non-Competition undertaking in our annual report, in addition to complying with the applicable disclosure requirements under the Listing Rules. In particular, if the Business Opportunity is turned down by our Company under the Deed of Non-Competition undertaking, all such rejections and the relevant basis will be included in our annual report. Any decision relating to the exercise of any of our rights under the Deed of Non-Competition undertaking shall be made by our independent non-executive Directors. If we decide to exercise any of our rights granted under the Deed of Non-Competition undertaking, we will comply with the applicable requirements under the Listing Rules.