
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Wellrun is wholly owned by Mr. Chun Chi-wai. During the Track Record Period, we disposed of Asia Huan Bao, which was previously within our Group. Asia Huan Bao is an investment holding company and had no active business during the Track Record Period. Asia Huan Bao held a 55% interest in Asia Wing Tat, a company incorporated in Hong Kong. During the Track Record Period, Asia Wing Tat was principally engaged in the trading of scrap metal. It ceased operations and became inactive after we disposed of Asia Huan Bao. As such, neither Asia Huan Bao nor Asia Wing Tat compete, directly or indirectly, with our Group’s business. Upon the completion of the [●], neither the Controlling Shareholder nor any of our Directors will have any interests in other companies or businesses that compete or are likely to compete with us.

We believe that we are able to carry on our business independently of our Controlling Shareholder because:

- (a) we have a separate financial system, an independent financial budget and independent sources of financing from our Controlling Shareholder;
- (b) we do not share operational or production capabilities with our Controlling Shareholder;
- (c) we have independent access to customers;
- (d) we have an independent management team and staff to handle our day-to-day operations; and
- (e) we have access to independent sources of supplies and raw materials.

NON-COMPETITION UNDERTAKING

In order to eliminate any existing and future competing business with us, on 22 May 2009, Mr. Chun Chi-wai and Wellrun entered into a deed of non-competition with our Company pursuant to which he/it confirms/undertakes, inter alia, that:

- (a) as of the date of the deed of non-competition, he/it did not engage or was not interested in any entities which engaged in any business that is directly or indirectly in competition with our business;
- (b) he/it will not and will procure his/its associates not to engage, directly or indirectly, whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise, in businesses that will or may compete with the business carried on or to be carried on by us;
- (c) in the event that he/it or his/its associates is given/identifies any opportunities to engage in a business that is in competition with a business carried on by us, he/it or his/its associates will as soon as practicable inform us of such opportunity and we have a right within three months thereafter to request that he/it or his/its associates allow us to take up the opportunity and in the event that we decide to take up the opportunity, he/it will endeavour to assist us to obtain the opportunity. Such three-month period may be extended to a reasonable time when required by our independent non-executive Directors (please refer to the paragraph headed “Relationship with Our Controlling Shareholder — Corporate Governance relating to the deed of non-competition” below for details);
- (d) he/it will not (i) solicit business in which we are involved or engaged from a person, firm, company, corporation, partnership or organisation that is a client or a potential client of ours; and (ii) on behalf of himself/itself or any other person, firm or company, solicit or endeavour to cause any of our employees, former employees or agents to work for any other person, firm or company engaging in a business that will or may compete directly or indirectly with the business carried on or to be carried on by us; and

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- (e) he/it will provide all information necessary for the review and enforcement of the non-competition undertaking.

Notwithstanding the foregoing, Mr. Chun Chi-wai and Wellrun and/or his/its associates or any company in which he/it is interested may invest, participate in and engage in the Restricted Activity if the terms of such investment, participation or engagement in the Restricted Activity have been first offered to us, and our independent non-executive Directors have confirmed that our Group does not intend to carry on or engage in such Restricted Activity.

Corporate Governance relating to the deed of non-competition

The decision-making process in relation to the deed of non-competition in respect of the business opportunity will be governed and monitored as follows:

- In the event that Mr. Chun Chi-wai or Wellrun or his/its associates are given or identify any opportunities to engage in a business that is in competition with a business carried on by us (each a “business opportunity”), he/it or his/its associates will as soon as practicable inform us of such opportunity and we have a right within three months to request that he/it or his/its associates allow us to take up the opportunity and in the event that we decide to take up the business opportunity, he/it will endeavour to assist us to obtain the business opportunity. Such three-month period may be extended to a reasonable time when required by our independent non-executive Directors.
- Our independent non-executive Directors will be solely responsible for deciding whether or not to take up a business opportunity referred to us under the terms of the deed of non-competition. Any decision on whether to accept the business opportunity should only be made by the independent non-executive Directors and they will take into account the business strategy and financial condition of our Group, the potential of the business opportunity and whether the terms of the business opportunity are fair and reasonable and on normal commercial terms before accepting or declining the business opportunity.
- Any decision under the deed of non-competition will be voted on solely by our independent non-executive Directors and decided by majority vote. In the event of a deadlock, our Company shall not pursue the business opportunity.
- Our Board will take appropriate steps to implement the decision of our independent non-executive Directors in accordance with the Listing Rules.
- Our independent non-executive Directors shall review, on an annual basis, the compliance with the deed of non-competition by Mr. Chun Chi-wai and Wellrun.
- We will disclose decisions of our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking either through our annual report or by way of announcements to the public.

In addition to Mr. Chun Chi-wai and Wellrun, on 22 May 2009, each of our Directors has entered into a deed of non-competition in favour of the Company on the same terms as those set out in the paragraph headed “Relationship with Our Controlling Shareholder — Non-competition Undertaking” above.