

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

None of our executive Directors, our Controlling Shareholder or their respective associates are engaged in any business that, directly or indirectly, competes or may compete with the business of our Group.

Non-compete undertaking

Mr. Ellis has entered into the deed of non-competition in favour of our Company, pursuant to which Mr. Ellis has undertaken, subject to the exceptions mentioned below, that he would not, and would procure that neither he nor his associate and/or companies controlled by him (other than the Group) would not directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in this document, in the PRC and any other area in which the Group carries on business ("Restricted Activity").

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognised stock exchange and:

- (a) the total number of the shares held by Mr. Ellis and/or his associates does not amount to more than 5% of the issued shares of the company; and
- (b) Mr. Ellis and/or his associates are not entitled to appoint a majority of the directors or management of that company.

Mr. Ellis undertakes to our Company that he would, during the term of the deed of non-competition indemnify and keep indemnified our Company and our Group against any loss suffered by our Company or our Group (as relevant) arising out of any breach of any of his/its undertaking under the deed of non-competition.

In order to properly manage any potential or actual conflict of interests between us and Mr. Ellis in relation to the compliance and enforcement of the non-compete undertaking, we have adopted the following corporate governance measures:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by Mr. Ellis;
- (b) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through our annual report or by way of announcement;
- (c) we will disclose in the corporate governance report of our annual report on how the terms of the non-compete undertaking have been complied with and enforced; and
- (d) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the non-compete undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in our Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Mr. Ellis and his associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

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Independence of management, financing and operation

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from Mr. Ellis and his associates:

Non-competition: none of Mr. Ellis or our Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group’s business. In addition, Mr. Ellis has given a non-competition undertaking in favour of us. For details, please refer to the paragraph “Non-competition undertakings” of this section above.

Management independence—Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board will function independently from Mr. Ellis because:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions; and
- (c) our board comprises seven Directors and three of them are independent non-executive Directors, which represents more than one-thirds of the members of the Board. This is better than current governance best practice in Hong Kong.

Financial independence—Our Group has an independent financial system and makes financial decisions according to its own business needs. As of the Latest Practicable Date, no borrowing was made by Mr. Ellis and/or his associates to the Group. In addition, as of the Latest Practicable Date, none of our connected persons provided guarantee and security for our bank borrowings. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on Mr. Ellis.

Operational independence—Our Group has an independent work force. Although during the Relevant Period, there have been certain transactions between us and our related parties, details of which are set out in note 37 and 35 in the Accountants’ Report in Appendices IA and IB to this document respectively, none of the historical related party transactions are expected to continue after the Listing Date.