

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), Sparkle Century, will directly hold [REDACTED]% of the issued share capital of our Company. As at the Latest Practicable Date, Sparkle Century was wholly-owned by LGB (HK), which was in turn owned as to 70%, 25% and 5% by LGB (Malaysia), Mr. CM Lim and Mr. CS Lim, respectively. During the Track Record Period and up to the Latest Practicable Date, LGB (Malaysia) was owned as to 30.40%, 30.40%, 10.43%, 10.43%, 10.43%, 5.41% and 2.50% by Mr. CM Lim, Mr. CS Lim, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan (also known as Ms. Goay Sook Lan) and Ms. Lim Wang Ling, respectively. LGB (Malaysia), Mr. CM Lim, Mr. CS Lim, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan, Ms. Lim Wang Ling, LGB (HK) and Sparkle Century will together form a group of Controlling Shareholders within the meaning of Listing Rules.

Mr. CM Lim, Mr. CS Lim, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling and Ms. Lim Wang Ling are siblings. Ms. Geh Sok Lan is their mother. The family business of our Controlling Shareholders cover a number of industry sectors, such as (i) potable water treatment, supply and distribution; (ii) toll highway concession and operation and maintenance in Malaysia conducted through Taliworks Corporation Berhad; (iii) solid waste management related business in Malaysia; and (iv) property development and investment in Malaysia, the United Kingdom and Japan, etc. (collectively the “**LGB Group**”).

Pursuant to the Concert Party Deed, Mr. CM Lim and Mr. CS Lim have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period and in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. Pursuant to the Concert Party Deed, each of Mr. CM Lim and Mr. CS Lim confirmed that, among other things, (i) since 1 January 2014: (a) they had acted in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of TIL, TEL, TYW, TSET, TSH, Tilgea Consortium, TECO and NEW; (b) they had given unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of TIL, TEL, TYW, TSET, TSH, Tilgea Consortium, TECO and NEW; (c) they had casted their votes collectively for or against all resolutions in all board and shareholders’ meetings and discussions of TIL, TEL, TYW, TSET, TSH, Tilgea Consortium, TECO and NEW; and (d) they had cooperated with each other to obtain and maintain and consolidate control of TIL, TEL, TYW, TSET, TSH, Tilgea Consortium, TECO and NEW; and (ii) in the course of the Reorganisation and until the date of any written termination by them, (a) they have acted and shall continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions including but not limited to financial and operational matters, of the Group; (b) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Group; (c) they have casted and shall continue to cast unanimous votes collectively for or against all resolutions in all board and shareholders’ meetings and discussions of the Group; and (d) they have cooperated and shall continue to cooperate with each other to obtain and maintain and consolidate control of the Group.

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Mr. CM Lim decided to focus on his other business engagement and decided not to act as a Director, as it would involve substantial time for participation in our Board and Board committee meetings and other duties under the Listing Rules.

Mr. CM Lim was a director of the following companies which were incorporated in Hong Kong and Malaysia when they were dissolved or are in the process of dissolution other than by member’s voluntary winding-up.

Name of Company	Nature of Business	Means of dissolution	Date of commencement of winding-up procedure/notice of deregistration/notice of striking off	Date of dissolution	Reasons for dissolution
Famous Classic Sdn. Bhd.	Dormant	Striking out pursuant to the Malaysian Companies Act, 2016	19 May 2011	30 November 2011	No business operation
LGB Construction Sdn. Bhd.	Dormant	Striking out pursuant to the Malaysian Companies Act, 2016	5 January 2011	30 September 2011	No business operation
TIBI	Inactive	Winding-up by court on just and equitable grounds	24 August 2011	In the process of liquidation	Cessation of business
Taliworks-IBI Technologies (Xiamen) Limited	Inactive	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	24 February 2012	14 September 2012	Cessation of business

Mr. CM Lim confirmed that, to the best of his knowledge, the above dissolved companies were solvent and inactive immediately prior to their dissolutions, and that there is no wrongful act on his part leading to their dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of their dissolution.

Mr. CM Lim was a non-independent non-executive director of Central Industrial Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: 8052) from 4 September 2001 to 16 June 2015. Save as disclosed above, he has not held any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Mr. CM Lim is also a director of TIL and TSH.

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Mr. CM Lim is the brother of Mr. CS Lim, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling and Ms. Lim Wang Ling, and the son of Ms. Geh Sok Lan. His shareholding interest in our Company is disclosed in the section headed “Substantial Shareholders” in this document.

Save as disclosed above, there is no further matter of Mr. CM Lim which requires disclosure under 13.51(2) if he acts as a Director of our Company.

EXCLUDED BUSINESSES

As at the Latest Practicable Date, our Group principally engaged in wastewater treatment business in Yinchuan, Ningxia, the PRC. For further details of our principal business, please see the section “Business” of this document. Apart from our business, our Controlling Shareholders and their close associates are interested in certain companies which (i) owns the concession rights as to the wastewater treatment plant in Coal-to-Chemical Industrial Park of Ningdong Energy Chemical Base* (寧東能源化工基地煤化工業園區), Ningxia, the PRC; and (ii) operates the wastewater treatment plant in Guanghan City, Sichuan Province, the PRC, which will not form part of our Group after [REDACTED] (the business of the above companies are collectively referred to as the “Excluded Businesses”).

Save as the Excluded Businesses as disclosed in this document, each of our Controlling Shareholders confirms that he or she or it and their respective close associates do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

Wastewater treatment business of TECO and NEW

TECO is a limited company incorporated in Singapore on 4 March 2008. Prior to the Reorganisation, TECO was owned as to 70% by TIL and 30% by an Independent Third Party. On 11 April 2018, LGB (HK) (which was in turn owned as to 70%, 25% and 5% by LGB (Malaysia), Mr. CM Lim and Mr. CS Lim, respectively) acquired 100% equity interest of TECO from TIL and the Independent Third Party. TECO is a wholly-owned subsidiary of LGB (HK).

TECO and Yinchuan Ningdong Energy and Chemical Base Management Committee* (銀川市寧東能源化工基地管理委員會) entered into a concession agreement dated 27 September 2009 (the “**TECO Concession Agreement**”), pursuant to which, TECO (or the project company established by TECO) has been granted for a 30-year period (commencing from the passing of the environmental inspection and acceptance) a concession to finance, design, build, own, operate and maintain a wastewater and recycled water treatment plant in certain areas in Coal-to-Chemical Industrial Park of Ningdong Energy Chemical Base* (寧東能源化工基地煤化工業園區), Ningxia, the PRC on a BOT basis.

NEW (a limited liability company established in the PRC on 17 June 2010 and wholly-owned by TECO) was the project company established by TECO for the above purpose of construction and operation of the wastewater and recycled water treatment plant.

Although construction on the first phase of the facility commenced in 2011, the construction has been halted since November 2012 as the volume of influent did not meet the quantity as expected based on the feasibility study conducted before commencement of the project. The shortfall was primarily due to the development progress of projects in the industrial park was slower than originally expected and the number of enterprises in the industrial park which had commenced operation at that time was less

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than originally expected, which resulted in the volume of wastewater generated by such enterprises was lower than expectation. As a result, it was considered that the situation would persist and that there would be insufficient volume of influent for the plant to generate sufficient of revenue to sustain its business operation. Due to the above reasons, it was considered that the project ceased to be viable and NEW began discussions with Yinchuan Ningdong Energy and Chemical Base Management Committee* (銀川市寧東能源化工基地管理委員會) to transfer the plant back to the government. The facilities were already successfully handed over to the government authority and the parties are in discussion on the termination fee to be paid by the government for termination of the TECO Concession Agreement. Given the above situation, NEW has ceased operation. The discussion is in progress. It is expected once the discussion has been finalised, TECO and NEW will be liquidated according to the relevant administrative procedures. Accordingly, our Directors are of the view that the business of NEW and our Group can be clearly delineated and there is no competition. To the best knowledge of our Directors, TECO and NEW had not committed any material non-compliance during the Track Record Period.

Wastewater treatment business of TSL and PGW

TSL was incorporated in Hong Kong with limited liability on 10 January 2007. Prior to May 2016, TSL was owned as to 80% and 20% by Taliworks Corporation Berhad and Ambleton Limited, respectively. As at the Latest Practicable Date, TSL was owned as to 80% by LGB (HK) (which was in turn owned as to 70%, 25% and 5% by LGB (Malaysia), Mr. CM Lim and Mr. CS Lim, respectively), and 20% by Ambleton Limited (which was in turn owned as to 50% and 50% by Mr. Wong Kok Sun (our executive Director and chief executive officer) and an Independent Third Party, respectively), respectively.

PGW is a limited liability company established in the PRC on 19 August 2003. On 1 December 2006, PGW and Guanghan City Planning and Construction Bureau* (廣漢市規劃和建設局) entered into a concession agreement (as supplemented and amended) (the “**PGW Concession Agreement**”), pursuant to which, PGW has been granted exclusive right for a period commencing on 1 December 2006 and expiring on 31 July 2033 to build, operate and maintain the wastewater treatment plant in Guanghan City, Sichuan Province, the PRC on a BOT basis. In April 2007, TSL (when it was owned as to 80% by Taliworks Corporation Berhad) acquired the 70% equity interest of PGW from one of its then shareholders which is an Independent Third Party. At the time of the acquisition, the plant was only partially constructed. Taliworks Corporation Berhad and TSL had to provide additional capital and management resources in order to continue with the construction based on the PGW Concession Agreement. As at the Latest Practicable Date, PGW is currently owned as to 70% by TSL and 30% by an Independent Third Party, respectively.

Notwithstanding that PGW also engages in wastewater treatment business in the PRC, our Directors are of the view that it is not in the interest of our Group to include PGW and that there is no competition between the business of PGW and our principal business primarily due to the following reasons:

- (a) Status of PGW — Since the acquisition of PGW by Taliworks Corporation Berhad through TSL in 2007, PGW continued with the construction and operation of the wastewater treatment plant pursuant to the PGW Concession Agreement. Based on the assessment and as confirmed by Guanghan City Planning and Construction Bureau, PGW was able to meet the then relevant effluent discharge standard in July 2007. Since then, PGW was in the process of

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obtaining the relevant confirmation of construction completion (which was yet to be obtained due to various technical issues such as updating and resubmitting the design plan). At the time of acquisition by TSL, the design plans and other documents of PGW handed over by the previous majority shareholder of PGW who was managing the construction were incomplete and not sufficient to obtain the confirmation and approval, hence it took time to work with professional consultant to carry out inspection and to re-work on the design plan and other documentation works in order to obtain the relevant confirmation and approval which was still in progress as at the Latest Practicable Date. In 2015, it was discovered that pollutant level of the influent into PGW’s wastewater treatment plant exceeded the relevant pollutant and chemical standard set out in the PGW Concession Agreement. Such situation was primarily due to inflow of industrial wastewater from pipelines into PGW’s wastewater treatment plant (which was designed to process domestic sewage based on the approved treatment plant design).

In order to ensure that the effluent discharge standard under the PGW Concession Agreement could be met, PGW had to adjust the water treatment process whereas higher dosage of chemicals was required. Such adjustments resulted in more backwash were required for the wastewater treatment plant, and accordingly affected the daily capacity of the wastewater treatment plant. In addition, PGW was in discussion with the government authority to upgrade the effluent discharge standards. With a view to resolving the above issues and to maintaining PGW’s daily capacity, PGW and Guanghan City Planning and Construction Bureau began the negotiation in order to resolve the above problems (including upgrade and expansion and/or construction of additional treatment plant(s), etc.). Since the negotiation is in process, it is unclear how the parties may come to a consensus. It is expected that a substantial amount of investment to expand or construct additional wastewater treatment plants may be required. PGW will have to review from commercial and technical perspective before deciding to continue to invest and participate in this project or not.

Given the above uncertainty, our Directors are of the view that it is not in the interest of our Group to include PGW into our Group at this stage. Our Group would retain the flexibility to acquire assets or businesses at a later stage (after it has passed the completion acceptance and environmental protection acceptance or such similar inspection, approval, license, permit and acceptance for all of its then facilities (the “**Completion of Acceptance and Inspection**”). In the event that our Company is of the view that the business prospects of PGW becomes viable from a strategic, financial or other perspective in future, we may exercise the options as discussed below to acquire the equity interest of PGW.

- (b) Different geographical locations — During the Track Record Period, the wastewater treatment business of our Group was conducted in Yinchuan, while the wastewater treatment business operated by PGW is restricted in Guanghan City, Sichuan Province, the PRC. The Concession Agreement provides exclusive rights for us to manage and operate the Wastewater Treatment Plants. Similarly, it is expected that TSL and PGW cannot conduct wastewater treatment business in other areas without the concession rights from the local government authorities. Hence, TSL and PGW cannot conduct water treatment business in such areas which are covered by Concession Agreement at present or in future.

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- (c) Different staff and personnel — Our Group and PGW have different operational personnel and staff, and have separate and independent management teams for their respective daily management and operation.

Pursuant to the Deed of Non-competition (as further discussed below), we have (i) the option to request our Controlling Shareholders to transfer their equity interest in TSL and PGW to our Group, upon PGW has passed Completion of Acceptance and Inspection; and (ii) the right of first offer to acquire their equity interest in TSL and PGW. Hence, our Group will have the flexibility to include such wastewater treatment business into our Group based on the above conditions and when we consider it is in our commercial interest. Please refer to the paragraph headed “Relationship with Controlling Shareholders — Non-competition Undertaking” below for further details.

In addition, our Controlling Shareholders have undertaken that they will not operate other PRC wastewater treatment business in areas outside Guanghan City, Sichuan Province, hence there is no direct competition in terms of geographical locations of the business of our Group and TSL and PGW.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

(i) Financial Independence

Our Company has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations.

During the Track Record Period, our Group had certain amounts due to and due from related parties including our Controlling Shareholders and their associates. For details, please refer to sections headed “Financial Information — Amounts due from fellow subsidiaries” and “Financial Information — Amounts due to related parties” and note 30 to the Accountant’s Report set out in Appendix I to this document. Such respective amounts due to/from related parties have been or will be either settled, capitalised or waived upon [REDACTED].

Our Directors are of the view that there has been sufficient cash flow to support the operation of our Group’s business. For the three years ended 31 December 2017 and the four months ended 30 April 2018, our Group has relied principally on cash generated from operations and bank borrowings to carry on our businesses and this is expected to continue after the [REDACTED]. Our Directors also believe that our Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the [REDACTED]. Therefore, the Group will be financially independent from our Controlling Shareholders after the [REDACTED].

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(ii) Operational Independence

During the Track Record Period, our Group provided certain management services to TSEL and received consultancy from Taliworks Corporation Berhad. For the three years ended 31 December 2017 and the four months ended 30 April 2018, management fees recorded by our Group amounted to approximately HK\$1.1 million, HK\$1.1 million, HK\$1.1 million and HK\$750,000, respectively. Our Group ceased to provide these services to them in April 2018. For the three years ended 31 December 2017 and the four months ended 30 April 2018, the consultancy fees paid by our Group amounted to approximately HK\$635,000, HK\$393,000, nil and nil, respectively. The consultancy services were mainly related to legal and support services, and was ceased in 2016 following the transfer of equity interest of TIL from Taliworks Corporation Berhad to LGB (HK).

On the basis of the following reasons, our Directors consider that our Group will continue to be operationally independent from our Controlling Shareholders or other companies controlled by our Controlling Shareholders:

- (a) our Group has established its own organisational structure made of individual departments, each with specific areas of responsibilities;
- (b) our Group did not share its operational resources, such as customers, suppliers, marketing, sales and general administration resources (saved as the services disclosed above) with our Controlling Shareholders and/or their close associates during the Track Record Period;
- (c) our Group has also established a set of internal control measures to facilitate the effective operation of its business;
- (d) our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers; and
- (e) our Group is the holder of all relevant qualifications, licences and permits material to the operation of the business and has sufficient capital, equipment and employees to operate the business independently.

(iii) Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board consists of five Directors, comprising one non-executive Director, one executive Director and three independent non-executive Directors. Mr. CS Lim (our chairman and non-executive Director and one of our Controlling Shareholders) and Mr. CM Lim (one of our Controlling Shareholders), and Ms. Lim Ai Ling (one of our Controlling Shareholders) are also directors of LGB (Malaysia), LGB (HK) and/or Sparkle Century. Mr. CS Lim is also a non-independent non-executive director of Taliworks Corporation Berhad, and that Mr. CS Lim, Mr. CM Lim and Ms. Lim Ai Ling are also engaged in their family businesses and other businesses (which do not directly or indirectly compete with the business of our Group).

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On the basis of the following reasons, our Directors consider that our Group are able to manage the business independently from the Controlling Shareholders:

- (a) with three independent non-executive Directors out of a total five Directors in the Board, which complies with the requirements under the Listing Rules to counterbalance any situation involving a conflict of interest and protect the interests of the independent Shareholders;
- (b) all members of the senior management are full-time employees of our Group and most have, during the entire or most of the Track Record Period, undertaken senior management responsibilities in the business. The responsibilities of the senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of the Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (c) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the interests of our Shareholders and our Company as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;
- (d) connected transactions (if any) between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including rules relating to announcement, reporting and independent Shareholders' approval requirements (where applicable); and
- (e) a number of corporate governance measures is in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of the independent Shareholders.

Having considered the aforesaid factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates.

(iv) Independence of major suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the five largest suppliers of our Group during the Track Record Period.

(v) Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the five largest customers of our Group during the Track Record Period.

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RULE 8.10 OF THE LISTING RULES

Save as otherwise disclosed in this document, our Controlling Shareholders, our Directors and their respective close associates do not have 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.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders, each of LGB (Malaysia), Mr. CM Lim, Mr. CS Lim, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan, Ms. Lim Wang Ling, LGB (HK) and Sparkle Century (each a “Covenantor” and collectively the “Covenantors”) has executed a Deed of Non-competition on 4 October 2018 in favour of our Company and its subsidiaries. Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of its subsidiaries) that, during the period that the Deed of Non-Competition remain effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for 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 our Group (excluding the Excluded Businesses), save for the holding of not more than 5% shareholding interests (individually or with his/her/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Controlling Shareholders (individually or with his/its close associates).

Each of the Covenantors further undertakes that if he/she/it or his/her/its close associates (other than any member of our Group) is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall (and he/she/it shall procure his/her/its close associates to) promptly notify our Company in writing and our Company shall have a right of first refusal to take up such business opportunity. Our Company shall, within 30 days after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantors whether our Company will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantors and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The relevant Covenantor shall be entitled but not obliged to pursue the business opportunity on terms no more favourable than those offered to the Group if he/it has received a notice from the Group declining such business opportunity or if the Group fails to respond within the above-mentioned 30-day period.

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Additional rights and obligations in relation to TSL and PGW

Controlling Shareholders not to operate PRC wastewater treatment business outside Guanghan City, Sichuan Province, the PRC — While our Controlling Shareholders may still engage in wastewater treatment business in Guanghan City, they have undertaken that (after termination of the TECO Concession Agreement), they will not operate other PRC wastewater treatment business in areas outside Guanghan City, Sichuan Province, the PRC and they will not enter into other concession agreement for wastewater treatment businesses with the PRC government authorities or otherwise.

Right of First Offer — Our Controlling Shareholders have undertaken that, during the term of the Deed of Non-competition, if the Controlling Shareholder intends to transfer, sell, lease, license or otherwise dispose of the equity interest of TSL and PGW, to any third parties, the Controlling Shareholder shall immediately notify our Company in writing of its intention (the “**Selling Notice**”) and procure all necessary information to facilitate an investment decision be made available to our Company. Our Board (based on the opinion of our independent non-executive Directors) will decide whether or not to acquire such equity interest of TSL and PGW. Subject to the relevant reporting, announcement and independent shareholders’ approval requirements under the Listing Rules for connected transactions, our Company will notify the Controlling Shareholder in writing within 90 Business Days from the date of the Selling Notice whether we wish to acquire the relevant equity interest of TSL and PGW. Our Controlling Shareholders and their associate shall abstain from voting at the Board or Shareholders’ meeting of our Company on this matter. Before we provide our written reply within the requisite timeframe, our Controlling Shareholders shall not transfer, sell, lease, license or otherwise dispose of the relevant equity interest of TSL and PGW to any third party. If we decide not to or fail to reply within the requisite timeframe, the Controlling Shareholder may transfer, sell, lend or license the relevant equity interest of TSL and PGW to any third party on terms no more favourable than those stated in the Selling Notice. If we decide not to accept the terms and conditions stated in the Selling Notice, we are entitled to propose our terms to the Controlling Shareholder. If the Controlling Shareholder does not accept the terms we proposed, the Controlling Shareholder can proceed to transfer, sell, lease, license or otherwise dispose of the relevant equity interest of TSL and PGW to any third party on terms no more favourable than those stated in the Selling Notice.

Option upon Completion of Acceptance and Inspection — Our Controlling Shareholders have undertaken that, during the term of the Deed of Non-competition, should PGW be able to pass the Completion of Acceptance and Inspection as discussed above, our Controlling Shareholders shall immediately notify our Company and provide all relevant information of TSL and PGW (the “**Completion of Acceptance and Inspection Notice**”) and use their best efforts to procure the equity interest of TSL and PGW be made available to our Company or our subsidiaries on fair and reasonable terms and conditions. Subject to the relevant reporting, announcement and independent shareholders’ approval requirements under the Listing Rules for connected transactions, our Company shall have the right to negotiate with our Controlling Shareholders the terms and conditions on arm’s length basis and the consideration will be determined with reference to the appraised value by an independent valuer. The Board, including the independent non-executive Directors, will be responsible for reviewing such terms and conditions, and will consider and decide whether such terms and conditions are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and whether to acquire the equity interest of TSL and PGW on such terms and conditions. Our Company shall have the right to exercise the above option at any time until the earlier of (i) termination of the Deed of Non-competition and (ii) our Controlling Shareholders having disposed the relevant equity interest of TSL and PGW to any

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third party after the procedures set out in the section headed “— Right of First Offer” above have been completed. Our Controlling Shareholders and their associates shall abstain from voting at the Board or Shareholders’ meeting of our Company on this matter. Our Company has the right to choose to acquire the equity interest of TSL and PGW, or choose to conduct entrusted operation, contracting operation, or lease the assets or business of TSL and PGW from our Controlling Shareholders in accordance with PRC laws.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) the independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Covenantors undertakes to provide any information as is reasonably required by the Group or the independent non-executive Directors, for their annual review, including but not limited to the confirmation from the Covenantors on the compliance of the Deed of Non-competition by the Covenantors and each of their close associates; and
- (c) our Company shall disclose the decisions on those matters reviewed by its independent non-executive Directors relating to the compliance of the Deed of Non-competition in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the [REDACTED] granting approval for the [REDACTED] the Shares on the Stock Exchange and all conditions precedent under the [REDACTED] having been fulfilled (or where applicable, waived) and the [REDACTED] not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the [REDACTED] (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this document, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which: (i) the Covenantors and their close associates, when taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and (save as disclosed in this document) other than members of our Group, none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that our Group is capable of carrying on the business independently of our Controlling Shareholders following the [REDACTED].

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CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Covenantors will make an annual confirmation as to compliance with his/her/its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (b) our Board would include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this document;
- (c) our Company has appointed Red Sun Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section headed “Directors and Senior Management — Compliance Adviser” in this document for further details in relation to the appointment of compliance adviser;
- (d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-Competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition. Findings of such review will be disclosed in our annual report after the [REDACTED].