
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the [REDACTED] and the [REDACTED], each of Mr. Cheung, Heavenly White, Mr. Lam and Summer Unicorn will control more than 30% of our Company’s issued share capital. For the purpose of the GEM Listing Rules, each of Mr. Cheung and Heavenly White (an investment holding company wholly-owned by Mr. Cheung, which has not commenced any substantive business activities as at the Latest Practicable Date) and Mr. Lam and Summer Unicorn (an investment holding company wholly-owned by Mr. Lam, which has not commenced any substantive business activities as at the Latest Practicable Date) is a Controlling Shareholder.

INDEPENDENCE OF OUR GROUP

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

(i) Financial independence

Our Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. As at 30 June 2016, approximately HK\$926,000 was due from our Group to Mr. Cheung and approximately HK\$3,795,000 was due from Mr. Lam to our Group. Please refer to the section headed “Financial Information – Amounts due from/to related parties” for more details. As at 31 July 2016, each of the Controlling Shareholders had given a personal guarantee and indemnity in respect of our borrowings and obligations under finance leases amounting to HK\$17,241,000 on an aggregate basis. All balance due to/from our Controlling Shareholders will be fully settled prior to the [REDACTED]. The abovementioned guarantees and indemnities provided by our Controlling Shareholders will be released or discharged in full upon the [REDACTED]. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

(ii) Operational independence

Our Group has established its own organisational structure comprising of individual departments, each having specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has

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an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Ms. Wong is an executive Director and the chairman of our Board. Mr. Lam is an executive Director and the chief executive officer. Mr. Lam, who is the sole director of Summer Unicorn, is the overlapping director between our Group and the Controlling Shareholder. Mr. Cheung, who is our senior management member, is the sole director of Heavenly White. None of the other Directors nor members of senior management hold any directorship or position in the Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group are independent from the Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

The Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

VOLUNTARY LOCK-UP UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, namely Mr. Cheung, Mr. Lam, Heavenly White and Summer Unicorn, have entered into a deed of lock-up undertaking with our Company (for itself and for the benefit of each of its subsidiary) on 25 October 2016. Pursuant to the deed of lock-up undertaking, each of the Controlling Shareholders has undertaken to our Company that it or he shall not at any time during the 24-month period following the [REDACTED], dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this document to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

The Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, demonstrates their long-term commitment to our Group and confidence in its future development.

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NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and the Controlling Shareholder, Mr. Cheung, Heavenly White, Mr. Lam and Summer Unicorn (each a “Covenantor” and collectively the “Covenantors”) have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 25 October 2016. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if he/it or his/its 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/it shall (and he/it shall procure his/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) 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 our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the [REDACTED] granting approval for the [REDACTED] of and permission to deal in 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 falling 30 days after the date of this document (or if such date is not a business day, the immediate preceding business day), 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 (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, cases to be interested in 30% (or such other amount as may from time to time be specified in the GEM 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; or (ii) the date on

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which the Shares shall 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).

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) our Company has appointed Frontpage Capital as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM 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;
- (iv) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) the 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 Company’s annual report after [REDACTED].