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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Hoi Lang is a company incorporated in the BVI with limited liability and is owned by Mr. Man, Mrs. Man and Mr. Ho as to 50%, 30% and 20%, respectively. Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account any Shares that may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme, Hoi Lang will hold [REDACTED]% of our Shares in issue. The principal business of Hoi Lang is investment holding. Further information on Hoi Lang is set forth in the section headed “History, development and reorganisation” in this document. On 4 June 2018, Mr. Man, Mrs. Man and Mr. Ho have entered into an acting in concert confirmation and undertaking, which they confirm and declare that, since 28 August 2014, the date of which Mr. Ho been a shareholder of Hoi Sing Decoration, (i) they have and shall continue to actively cooperate and communicate with each other, and have and shall continue to adopt a consensus building approach to reach decisions on a unanimous basis; (ii) they have and shall continue to vote as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of the Group at the shareholder and board levels of each member company of the Group; and (iii) in relation to all corporate matters that require the decisions of them, they have been given and shall continue to give sufficient time and information to consider and discuss in order to reach consensus. Accordingly, each of Mr. Man, Mrs. Man, Mr. Ho and Hoi Lang will be regarded as a group of Controlling Shareholders under the Listing Rules.

### COMPANY OWNED BY THE CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

As at the Latest Practicable Date, our Controlling Shareholders had interests in Hoi Sing Holdings (HK) Limited (“**Hoi Sing Holdings**”) which did not form part of our Group. Hoi Sing Holdings is a company incorporated in Hong Kong on 29 January 2007. As at the Latest Practicable Date, Hoi Sing Holdings was owned as to 50% by Mr. Man and 50% by Mrs. Man, the spouse of Mr. Man. The principal business of Hoi Sing Holdings is property investment. During the Track Record Period, Hoi Sing Holdings has leased office premises in Hong Kong to our Group. We will continue to rent from Hoi Sing Holdings the Hong Kong office premises. After the [REDACTED], the transaction between our Group and Hoi Sing Holdings will constitute exempt continuing connected transaction of our Company under the Listing Rules. Please refer to the section headed “Connected transaction” in this document for details.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon the [REDACTED] for the following reasons:

#### **Management independence**

Our Company has a board of directors that functions independently from Hoi Lang which is an investment holding company with no business activities.

Our Board comprises three executive Directors and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. 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 close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Having considered the above 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 we are capable of managing our business independently from our Controlling Shareholders following the completion of the [REDACTED] and the [REDACTED].

#### **Operational independence**

Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 31 to the Accountants’ Report, the text of which is set out in Appendix I to this document, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. The transaction between our Group and Hoi Sing holdings will continue after the [REDACTED], and will constitute exempt continuing connected transaction under the Listing Rules, details of which are set out in the section headed “Connected transaction” in this document. As such transaction is entered into in the ordinary and usual course of business of our Group on terms which are fair and reasonable and in the interest of our Company and our Shareholders as a whole, we do not consider there are any material reliance by our Group on the Controlling Shareholders and/or their respective close associates.

Further, our Directors consider that our operations do not depend on our Controlling Shareholders for the following reasons:

- (a) there is no competing business between our Group and any of our Controlling Shareholders;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business; and
- (c) we have our own independent operation capabilities and independent access to customers and suppliers. Apart from the transaction set out in the section headed “Connected transaction” in this document, there will not be any significant transaction between our Group and any of our Controlling Shareholders (and their respective associates) upon and shortly after [REDACTED].

Our Group, our Controlling Shareholders and their respective close associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

On the basis of the matters described above, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group).

### Financial independence

We make financial decisions according to our own business needs. Our Group has established a financial reporting system that operates independently, has established our own internal control and accounting system, has our own independent accounting department, and has a financial controller who is independent from our Controlling Shareholders who is responsible for overseeing our Group’s financial functions. Our Directors therefore consider that our Group is able to operate independently from the Controlling Shareholders from a financial perspective.

As at 31 March 2016, 2017 and 2018 and 30 April 2018, our Group had banking facilities amounting to approximately HK\$25.0 million, HK\$31.7 million, HK\$43.2 million and HK\$43.0 million respectively which were secured by (i) unlimited personal guarantee and indemnity granted by Mr. Man and Mrs. Man; (ii) unlimited corporate guarantee granted by Hoi Sing Holdings; (iii) personal property owned by Mr. Man; and (iv) proceeds in relation to all account receivables of one of our subsidiaries. The guarantees and securities in relation to the aforementioned items (i), (ii) and (iii) will be released and replaced by corporate guarantees of our Company upon [REDACTED].

Our Group has sufficient capital to operate our business independently, and has adequate internal resources and available credit facilities to support our daily operations.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective associates in our Group’s business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### No competition and clear delineation of business

Our Directors, including our independent non-executive Directors, confirm that, none of our Controlling Shareholders, our Directors or any of their respective close associates have interests in any businesses other than our business which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Based on all of the above factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED].

### DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders and executive Directors has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders and executive Directors (together, the “**Covenantors**”) has, amongst other matters, irrevocably and unconditionally undertaken with our Company (for itself and as trustee for its subsidiaries) on a joint and several basis, that each of the Covenantors shall, and shall procure that their respective close associates (other than members of our Group):

- (a) not, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to complete directly or indirectly with the business currently engaged or possibly to be engaged by our Group in the future (including but not limited to the fitting-out business in Hong Kong and any other country or jurisdiction to which our Group provides such services and/or carries on business mentioned above from time to time) (the “**Restricted Activity**”);
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employees of our Group;
- (c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as our Controlling Shareholders or directors of any member of our Group for the purpose of engaging, investing or participating in any Restricted Activity;
- (d) if there is any project or new business opportunity that relates to the Restricted Activity (the “**Business Opportunity**”) available to any of the Covenantors or their close associates (other than members of our Group), it/he/she shall:

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (i) direct such Business Opportunity to our Group with requisite information to enable our Group to evaluate the merits of the same;
- (ii) the relevant person who plans to participate or engage in such Business Opportunity shall give our Company a first right of refusal to participate or engage therein and shall not participate or engage in those activities unless with the principal terms thereof disclosed to and prior written consent obtained from our Company;
- (iii) not pursue such Business Opportunity until our Group has confirmed its rejection to pursue, involve or engage in the same because of commercial reasons. Any of our decisions on which will have to be approved by our independent non-executive Directors (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account the prevailing business and financial resources of our Group, the financial resources required for such Business Opportunity and, where necessary, any expert opinion on the commercial viability of the same; and
- (iv) on the condition that our Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (d) (iii) above, that the principal terms on which the Covenantors and/or its/his/her close associates pursues such Business Opportunity shall be substantially the same as or not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable;
- (e) keep our Board informed of any matter of potential conflicts of interests between each of the Covenantors (including its/his/her close associates) and our Group, in particular a transaction between any of the Covenantors (including its/his/her close associates) and our Group; and
- (f) provide as soon as practicable upon our Company's request:
  - (i) a written confirmation on an annual basis in respect of compliance by it/him/her with the terms of the Deed of Non-Competition;
  - (ii) all information necessary for the review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition; and
  - (iii) their respective consent to the inclusion of such confirmation in our Company's annual report and all such information as may be reasonably requested by our Company for its review.

The Deed of Non-Competition is conditional on (i) the Listing Committee of the Stock Exchange granting [REDACTED] of, and permission to deal in, all our Shares in issue and to be

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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issued under the [REDACTED]; and (ii) the obligations of the [REDACTED] under the [REDACTED] having become unconditional (including, if relevant as a result of the waiver of any condition(s) by the [REDACTED] and that the [REDACTED] not being terminated in accordance with the terms of the respective agreements or otherwise.

Pursuant to the Deed of Non-Competition, the obligations of the Covenantors will cease on the earliest of the following dates on which:

- (i) our Controlling Shareholders and their close associates (individually or taken as a whole) cease to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be a controlling shareholder of the Company for the purpose of the Listing Rules and do not have power to control our Board;
- (ii) our Shares cease to be listed on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares); or
- (iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or their respective close associates.

## CORPORATE GOVERNANCE MEASURES ON COMPLIANCE AND ENFORCEMENT OF THE DEED OF NON-COMPETITION

In order to properly manage any potential or actual conflict of interests between us on one hand and our Controlling Shareholders and executive Directors and their respective close associates on the other hand in relation to compliance and enforcement of the Deed of Non-Competition, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition to be complied with by our Controlling Shareholders and executive Directors;
- (ii) we will disclose any decisions on matters reviewed and approved by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition (including but not limited to the decision as to whether or not to pursue any Business Opportunity referred to under sub-paragraph (d) (iii) of the paragraph headed “Deed of Non-Competition” above in this section) either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he may not vote on the

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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resolutions of the Board approving that matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and executive Directors and their respective close associates on one hand and our Group on the other hand, and to protect the interests of our Shareholders, in particular, the minority Shareholders.