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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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### HISTORY

The Company was incorporated in the Cayman Islands on 18 April 2013 as part of the Reorganisation. Upon completion of the Reorganisation, the Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” under this section.

The history of our Group can be traced back to 1991 when it was founded by our chief executive officer and executive Director, Mr. Lau, and our executive Director, Ms. Ngai, with their own source of funding. In 1991, our first store under the brand name “Japan Home Centre” (日本城) selling mainly housewares products was opened in North Point, Hong Kong and we have been engaging in the housewares products retail business in Hong Kong ever since.

Since our establishment, we have expanded and diversified our business over the years and have become the leading housewares products retail chain in Hong Kong, Singapore and Macau with 235, 38 and five stores, respectively, as at the Latest Practicable Date.

### BUSINESS DEVELOPMENT

We believe our Group was one of the pioneers to introduce the “one price store” concept from Japan to Hong Kong. In 1993, we established our first “HK\$10 store” in Hong Kong, selling mainly housewares products imported from Japan at HK\$10 each. By offering high quality products generally at the same price of HK\$10 each, the introduction of the “HK\$10 store” was welcomed by all walks of life in Hong Kong.

As our business continued to expand, we began to develop our own private label products for sale in our stores. As at the Latest Practicable Date, we had 21 registered trademarks in Hong Kong, two registered trademarks in Singapore and 14 registered trademarks in the PRC for our private label products. At present, we offer a wide range of housewares products under our private labels, including kitchenware, personal and health, plasticware, housekeeping, DIY and hardware, stationery and household electronics. We believe that we will be able to drive further growth and margin improvement by developing our private labels in the future.

From 2001 onwards, the business strategy of our operation changed from a “HK\$10 store” model to a housewares products specialist store model, aimed at providing a one-stop platform to customers for purchasing a variety of housewares products at competitive prices. This major strategic change marked a significant new stage of our operation and since then we have further diversified our products portfolio so that the products offered by our Group appeal to and meet the needs of customers of varying income levels and ages. Many of the products we offer are affordable household necessities for which demand does not fluctuate significantly regardless of changes in overall market conditions. We have therefore been able to achieve sustainable growth in our sales, even during the global and Asian economic downturns in 2008.

Apart from specialising in the housewares products retail business, our Group has also launched different brands and diversified our business by re-positioning ourselves in the market. In 2002, our first store under the brand name “City Life” (生活提案) (formerly known as “City Lifestyle”) was established in Hong Kong, offering housewares products similar to that of our brand “Japan Home Centre” (日本城) yet providing a relatively higher-end alternative in order to better serve the needs of different customers. In 2007, we opened our first Epo Gifts & Stationery (文具世代) store specialising in selling stationery and gifts in order to further expand our customer base to students and young customers.

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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Over the years, our Group has successfully expanded our business and retail network through acquisitions of our competitors' business in Hong Kong. In 2000, our Group extended our retail network in Hong Kong by acquiring the business of our major competitor at that time, namely, Nippon Warehouse Limited, which operated around 30 stores in Hong Kong at that time. As a result of another acquisition in 2007 of the business of our competitor at that time, namely Quality Housewares, we acquired around 19 stores, which further increased the number of our stores in Hong Kong. With our continuous growth and expansion in the local market, in the calendar year of 2012, we held a market share of approximately 69% of the housewares retail chains market in Hong Kong.

To better serve our customers' preference and to better control our margins, our Group also operates two in-house manufacturing facilities in Hong Kong, through JHC (Plastics) and JHC (Mirror), which we design and manufacture unique private label plastics and mirror products for sale exclusively in our stores. In 2010, our Group acquired a 60% equity interest in JHC (Plastics) from our controlling shareholders and Directors, Mr. Lau and Ms. Ngai, at par, at a consideration of HK\$412,500 paid to Mr. Lau and HK\$412,500 paid to Ms. Ngai. The acquisition was completed on 31 August 2010 and the total consideration was fully settled on the same date. In the same year, our Group also acquired a 60% equity interest in JHC (Mirror) from our controlling shareholders and Directors, Mr. Lau and Ms. Ngai, at par, at a consideration of HK\$260,000 paid to Mr. Lau and HK\$260,000 paid to Ms. Ngai. The acquisition was also completed on 31 August 2010 and the total consideration was fully settled on the same date. As a result of these acquisitions, JHC (Plastics) and JHC (Mirror) became our local joint venture companies, operating our in-house manufacturing facilities in Hong Kong.

In March 2010, Hiluleka transferred 40% of its equity interest in Matusadona to Red Home, an entity controlled by EQT Greater China II, at a total consideration of HK\$224,000,000 and EQT Greater China II has since then become our strategic partner. EQT Greater China II makes investments primarily in Greater China and Southeast Asia and EQT Partners, which advises a group of private investment funds including EQT Greater China II, has been recognised as a leading investment adviser in the Nordic region and in German-speaking Europe. The aforesaid total consideration of the transaction was determined after taking into account the financial performance of Matusadona for the three financial years ended 30 April 2009 and for the eight months ended 31 December 2009, of which HK\$202,000,000 was settled on 19 March 2010, being the date of completion of the transaction, and the remaining balance in the amount of HK\$22,000,000 was settled on 18 March 2011. According to the relevant shareholders' agreement in relation to Matusadona, the rights and obligations of Red Home in respect of our Group will terminate with immediate effect upon Listing. Based on its expertise and experience, EQT Partners advises us on our overseas joint venture investments.

Starting from 2011, apart from expanding locally, our Group has also actively explored potential acquisition and/or joint venture opportunities in non-Hong Kong jurisdictions:

### **Singapore**

In 2011, our Group acquired the business and assets of a leading housewares retail chain in Singapore owned by Japan Home Pte. Ltd. ("JHPL"), a company wholly-owned by Mr. Chin Chain Yong ("Mr. Chin"), which operated 17 stores in Singapore at that time. The consideration payable to JHPL for the acquisition consisted of a sum of SGD 2,025,000 in cash (subject to adjustment and retention) and a sum of SGD 2,350,000 (subject to retention) to be satisfied by the allotment and issue of 2,350,000 shares in JHC (Singapore). The total consideration was fully settled by May 2013 as agreed between the parties and was principally determined based

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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on the pre-money equity value of JHPL and the product sourcing business in PRC carried on by Mr. Chin. Subsequently, we operate the joint venture company in Singapore, namely, JHC (Singapore), with our joint venture partner, Mr. Chin who had made a capital contribution of SGD2,350,000 to JHC (Singapore), to continue to actively expand our retail business in Singapore.

Principal terms of the joint venture arrangement of JHC (Singapore) are summarised as follows:

- (a) Board composition: Not more than five directors unless unanimously agreed by the shareholders, with two directors to be appointed by JHC (Management) and one director to be appointed by JHPL. The chairman of the board shall be appointed by JHC (Management) for so long as the shareholding percentage of JHC (Management) is not less than 50%. The chairman shall not be entitled to a second or casting vote;
- (b) Quorum: (i) Two directors for a board meeting, including at least one director nominated by JHC (Management) and one director nominated by JHPL; (ii) two shareholders for a shareholders' meeting so long as JHC (Management) and JHPL each hold shareholding interests in JHC (Singapore);
- (c) Minority protection: Customary clauses regulating shareholders' rights and obligations and for protection of minority shareholder's interests, including pre-emption rights, tag-along rights, drag-along rights and exit options;
- (d) Lock-up: Restriction on Mr. Chin's transfer of his shares in JHPL for as long as JHC (Management) holds not less than 60% shareholding interest in JHC (Singapore); and
- (e) Non-compete: JHPL, Mr. Chin and their respective affiliates shall not engage directly or indirectly in any competing business within Singapore and Malaysia without the written consent of JHC (Management).

As at the Latest Practicable Date, JHC (Singapore) operated 38 stores in Singapore, and we are now a well-established market leader in the housewares products retail chain business in Singapore in terms of revenue and the number of stores in 2012.

### **West Malaysia**

The coverage of our business further extended to West Malaysia in 2011 by setting up our joint venture company, namely, JHC (Malaysia), with our joint venture partner, Mr. Lim Shek Han ("Mr. Lim") who had contributed a capital investment of MYR60,000 to JHC (Malaysia). Recently in May 2013, our Singapore joint venture partner, Mr. Chin, invested MYR1,806,927 in JHC (Malaysia) to subscribe for 1,806,927 shares in JHC (Malaysia) and therefore has become one of our joint venture partners in JHC (Malaysia).

Principal terms of the joint venture arrangement of JHC (Malaysia) are summarised as follows:

- (a) Board composition: Not more than nine directors, with three to be appointed by JHC (Management) and two to be appointed by Mr. Chin. The chairman and the chief executive officer of JHC (Malaysia) shall be appointed by JHC (Management) and the chairman shall be entitled to a second or casting vote;

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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- (b) Quorum: (i) Two directors present for a board meeting, including at least one director appointed by JHC (Management); (ii) two shareholders present for a shareholders' meeting in person or by proxy, including the proxy or representative of any shareholder(s) with a shareholding percentage of more than 50% in JHC (Malaysia);
- (c) Minority protection: Customary clauses regulating shareholders' rights and obligations and for protection of minority shareholders' interest, including restriction on and conditions of transfer, rights of first offer, co-sale rights, drag-along rights and deadlock; and
- (d) Non-compete: Each shareholder (including its affiliates) shall not for so long as it shall hold any shares in JHC (Malaysia) and for a period of two years from the date of transfer of the entirety of its shares in JHC (Malaysia), compete directly or indirectly with the business of JHC (Malaysia) or engage in any retail, wholesale or other business relating to housewares within Malaysia and Singapore.

As at the Latest Practicable Date, JHC (Malaysia) operated nine stores in West Malaysia.

### PRC

In 2012, our Group entered the PRC market by acquiring certain assets in the PRC from Nanjing Yuguan Trading Company Limited\* (南京育冠商貿有限公司), Suzhou Shuohui Trading Company Limited\* (蘇州碩輝貿易有限公司) and certain individuals at a total consideration, determined on the basis of the value of the subject assets as appraised by a valuer in the PRC, amounting to RMB366,658, which was fully settled on 30 March 2012 (the "PRC Assets Acquisition"). Subsequent to the PRC Assets Acquisition, we and our PRC joint venture partner, Mr. Lin Ming Feng ("Mr. Mac Lin") who had contributed HK\$101,406 as capital investment in Familj, and Mr. Wu Jiang ("Mr. Wu"), set up Familj, our joint venture company in Hong Kong, which wholly owns Living Plus (Nanjing), an operating subsidiary in the PRC. The existing board composition of Familj consists of four directors, of which Mr. Wu is a director and the other three directors were appointed by JHC (Management). The chairman was appointed by JHC (Management).

According to an amended and restated option agreement dated 30 March 2012 (the "Option Agreement") entered into between Familj and Mr. Wu, Familj granted conditional options to Mr. Wu which entitled him to subscribe for 1,455,000 shares in Familj at the exercise price of RMB284,457 within 18 months starting from 30 March 2012 (the "Mr. Wu's Option"). On 9 September 2013, Familj and Mr. Wu entered into a termination agreement to the Option Agreement (the "Termination Agreement"), whereby Mr. Wu agreed and confirmed to unconditionally and irrevocably waive all his rights to Mr. Wu's Option with effect from the date of the Termination Agreement. Mr. Wu's Option was therefore considered cancelled and lapsed pursuant to the Termination Agreement. In return, Familj agreed to pay RMB1,000,000 to Mr. Wu, of which (i) RMB800,000 was paid within 3 working days of the date of the Termination Agreement; and (ii) the remaining RMB200,000 shall be payable within 7 working days subject to among others, the condition that Mr. Wu procures the renewal of the leases of two of our retail stores in the PRC before 30 November 2013.

\* For identification purpose only

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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Pursuant to an amended and restated shareholders' agreement dated 30 March 2012 (the "Shareholders' Agreement") entered into among Familj, JHC (Management), Mr. Mac Lin and Mr. Wu, it was agreed that immediately before completion of the Global Offering until 31 July 2016, JHC (Management) had the option to require Mr. Mac Lin and Mr. Wu (if Mr. Wu had exercised Mr. Wu's Option and had become a shareholder of Familj) (individually and collectively, the "Familj Investor(s)") to transfer all of his/their shares in Familj to JHC (Management) at nil consideration, and in return, the Company would allot and issue new Shares to the Familj Investor(s) (the "Company Conversion Option"). On the other hand, the Familj Investor(s), subject to the attainment of certain performance targets in respect of the business of Familj's PRC operations, had the option to transfer all of his/their shares in Familj to JHC (Management) at nil consideration, and in return, might require the Company to allot and issue new Shares to him/them (the "Investor Conversion Option"). On 9 September 2013, Familj, JHC (Management), Mr. Mac Lin and Mr. Wu entered into a supplemental agreement to the Shareholders' Agreement (the "Supplemental Agreement"), whereby (i) JHC (Management) agreed and confirmed to waive all its rights to the Company Conversion Option with effect from the date of the Supplemental Agreement; and (ii) each of Mr. Mac Lin and Mr. Wu agreed and confirmed to waive all their respective rights to the Investor Conversion Option with effect from the date of the Supplemental Agreement. As at the date of the Supplemental Agreement, neither the Company Conversion Option nor the Investor Conversion Option had been exercised. The Conversion Options were considered cancelled and lapsed pursuant to the Supplemental Agreement. Pursuant to the Supplemental Agreement, the Shareholders' Agreement will automatically terminate upon Listing.

Since 2012, we have continued to develop our business in the PRC through Living Plus (Nanjing). As at the Latest Practicable Date, we operated six stores in Jiangsu province and Shanghai.

### **Taiwan**

With a view to strengthening our merchandising function in Taiwan, in July 2012, our Group acquired a 100% interest in JHC (Taiwan) from our controlling shareholders and Directors, Mr. Lau and Ms. Ngai at cost, at a consideration of NT\$500,000 paid to Mr. Lau and NT\$500,000 paid to Ms. Ngai. The total consideration was fully settled on 18 July 2012, being the date of completion of the transaction. As at the Latest Practicable Date, JHC (Taiwan) was an indirect wholly-owned subsidiary of our Group.

### **Macau**

With a view to strengthening our retail network in Macau, on 15 April 2013, our Group acquired a 100% interest in JHC (Macau) from our Controlling Shareholders and Directors, Mr. Lau and Ms. Ngai, at a consideration of HK\$4,000,000 paid to Mr. Lau and HK\$4,000,000 paid to Ms. Ngai. The consideration amount was determined by taking into account the net profit of JHC (Macau) as at 31 December 2012. The total consideration was fully settled on 12 April 2013. As at the Latest Practicable Date, JHC (Macau) operated five stores in Macau.

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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For the interest of our Group and our future development, we will continue to explore any potential local and/or overseas merger or acquisition if and when an appropriate and suitable opportunity arises.

In addition to our retail business in Hong Kong, Singapore, West Malaysia, the PRC and Macau, since 2002 we have been expanding our business in the overseas market through our export sales and other operating arrangements with local entities in certain overseas jurisdictions, including the Philippines, East Malaysia, Saudi Arabia, United Arab Emirates, New Zealand and Indonesia. Our export business has successfully established a steady export sales channel to the Philippines and we had ten licenced stores through operating arrangements with local entities in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia as at the Latest Practicable Date. In view of the rising demand for high quality housewares products at competitive prices, our Group will continue to promote and expand our overseas business through export sales and other operating arrangements with local entities.

Our leading market position, history and reputation make us a credible iconic housewares products retail chain brand well-known in Hong Kong for decades. The key milestones of the business development of our Group are summarised as follows:

<b>Year</b>	<b>Key milestones</b>
1991 .....	The first store was opened in North Point, Hong Kong
1993 .....	The first “HK\$10 store” was opened in Hong Kong
2000 .....	Acquisition of the business of a major competitor at that time, Nippon Warehouse Limited
2001 .....	A major strategic change of business model from a “HK\$10 store” model to a “housewares products specialist store” model
2002 .....	Exploration of overseas market through export sales and operating arrangements with local entities  Establishment of new stores in Hong Kong under the new brand “City Life” (生活提案) (formerly known as “City Lifestyle”)  Launch of our own private label products
2004 .....	Awarded “Quality Tourism Services” certificate, “Superbrands” certificate and “Caring Company” logo by various recognised organisations
2005 .....	Our private label products had been exported to more than nine overseas jurisdictions through our export sales and overseas operating arrangements with local entities in certain overseas jurisdictions
2006 .....	Participation in the “Hong Kong Q-Mark Services Scheme” and was certified with the high service award

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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<u>Year</u>	<u>Key milestones</u>
2007 .....	<p>Acquisition of the business of our competitor at that time, Quality Housewares, which operated around 19 stores</p> <p>Establishment of new stores in Hong Kong under the then new brand “Epo Gifts &amp; Stationery”</p> <p>Awarded “Hong Kong Top Service Brand” and “The Best Brand Enterprise Award 2007 (Greater China)”</p>
2009 .....	<p>Total number of stores including “Japan Home Centre” (日本城), “City Life” (生活提案) and “Epo Gifts &amp; Stationery” (文具世代) exceeded 200 in Hong Kong, including the first “Japan Home Centre” (日本城) superstore, which occupies an area of over 6,000 square feet in Sau Mau Ping, Kwun Tong</p> <p>Awarded “The 5 Consecutive Years Caring Company” logo</p>
2010 .....	<p>EQT Greater China II acquired a 40% stake in our Group and became our strategic partner</p>
2011 .....	<p>Sales exceeded HK\$1 billion</p> <p>Acquisition of a leading housewares retail chain business in Singapore and formation of our joint venture arrangement in Singapore</p> <p>Expansion of our retail network to West Malaysia through formation of our joint venture arrangement in West Malaysia</p>
2012 .....	<p>Expansion of our retail network to the PRC through acquisition of assets and formation of our joint venture company in Hong Kong, Familj, which wholly owns our operating subsidiary in the PRC</p>
2013 .....	<p>Acquisition of 100% interest in JHC (Macau) which operated five stores in Macau</p> <p>As at the Latest Practicable Date, our Group had:</p> <ul style="list-style-type: none"><li>(i) 240 stores in Hong Kong and Macau;</li><li>(ii) 53 stores in Singapore, West Malaysia and the PRC operating under overseas joint venture companies; and</li><li>(iii) ten licenced stores in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia through other operating arrangements with our overseas business partners.</li></ul>

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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### CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company and 14 subsidiaries established in the BVI, Hong Kong, Singapore, West Malaysia, the PRC, Taiwan and Macau. For details of the shareholding structure and the principal business activities of our subsidiaries, please refer to note 1 to the Accountant's Report contained in Appendix I to this prospectus and the group structure charts under the paragraph headed "Group Structure" below.

### REORGANISATION

In preparation for the Listing, we have carried out the Reorganisation which involved the following steps:

#### **Incorporation of the Company**

On 18 April 2013, our Company was incorporated in the Cayman Islands, and 600 Shares and 400 Shares were issued in the name of Hiluleka and Red Home, respectively.

#### **Increase in the authorised share capital of the Company**

On 4 September 2013, the authorised share capital of the Company was increased from HK\$390,000 divided into 3,900,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,996,100,000 Shares.

#### **Share transfers of Matusadona**

On 10 September 2013, the Company (as purchaser) entered into a sale and purchase agreement with Hiluleka and Red Home (as vendors) and each of Mr. Lau, Ms. Ngai, Hiluleka and Red Home (as warrantors), pursuant to which the Company acquired 6,000,000 shares and 4,000,000 shares of Matusadona from Hiluleka and Red Home, respectively (representing 60% and 40% of the total issued shares of Matusadona, respectively), and in return, the Company allotted and issued 5,999,400 Shares to Hiluleka and 3,999,600 Shares to Red Home, all credited as fully paid, as consideration for the acquisitions of the shares in Matusadona. Immediately after completion of the Reorganisation, the Company was held as to 6,000,000 Shares by Hiluleka and 4,000,000 Shares by Red Home (representing 60% and 40% of the Company's total issued shares, respectively).

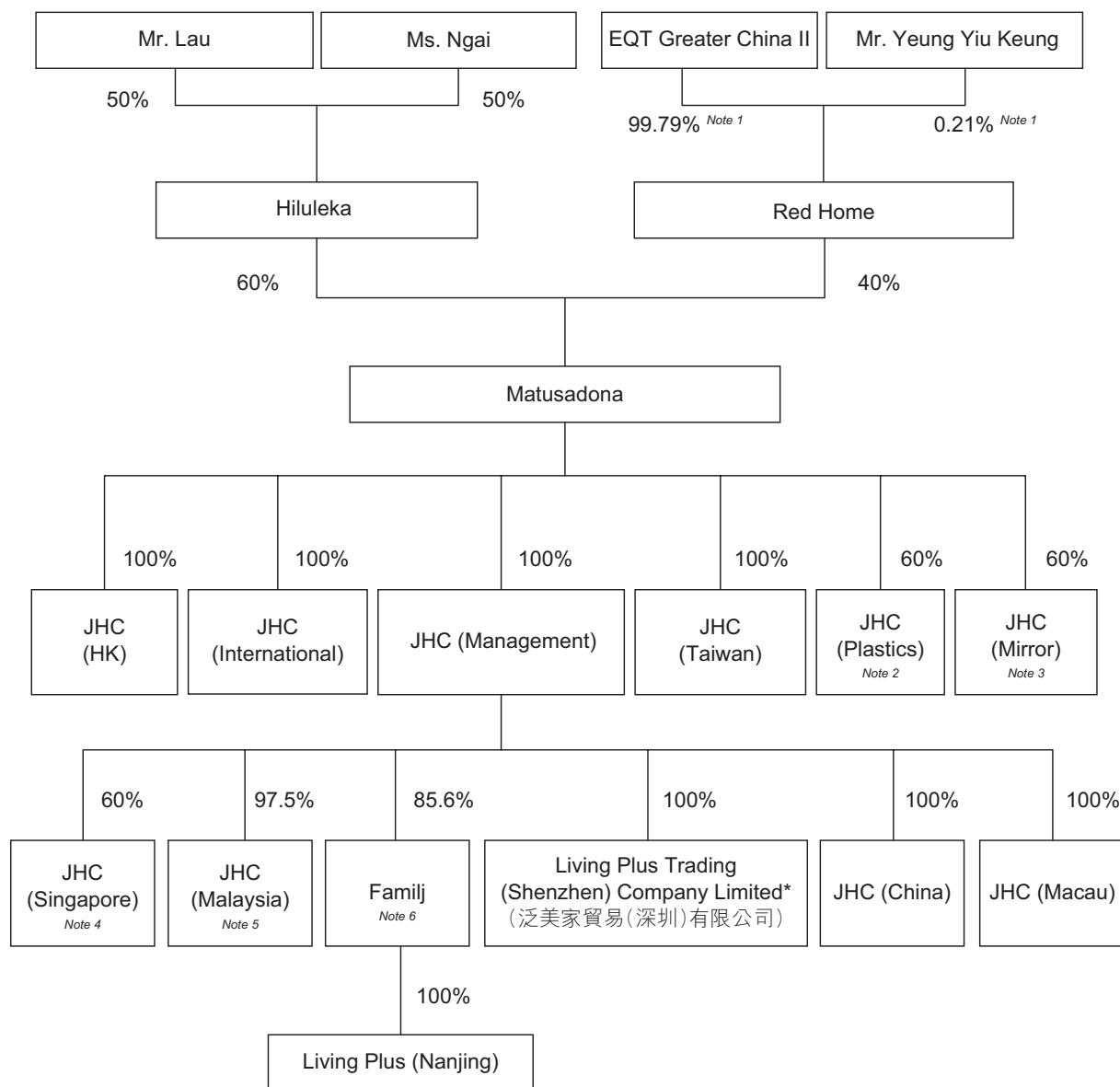


# HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

## GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:

**Group structure immediately before the Reorganisation**

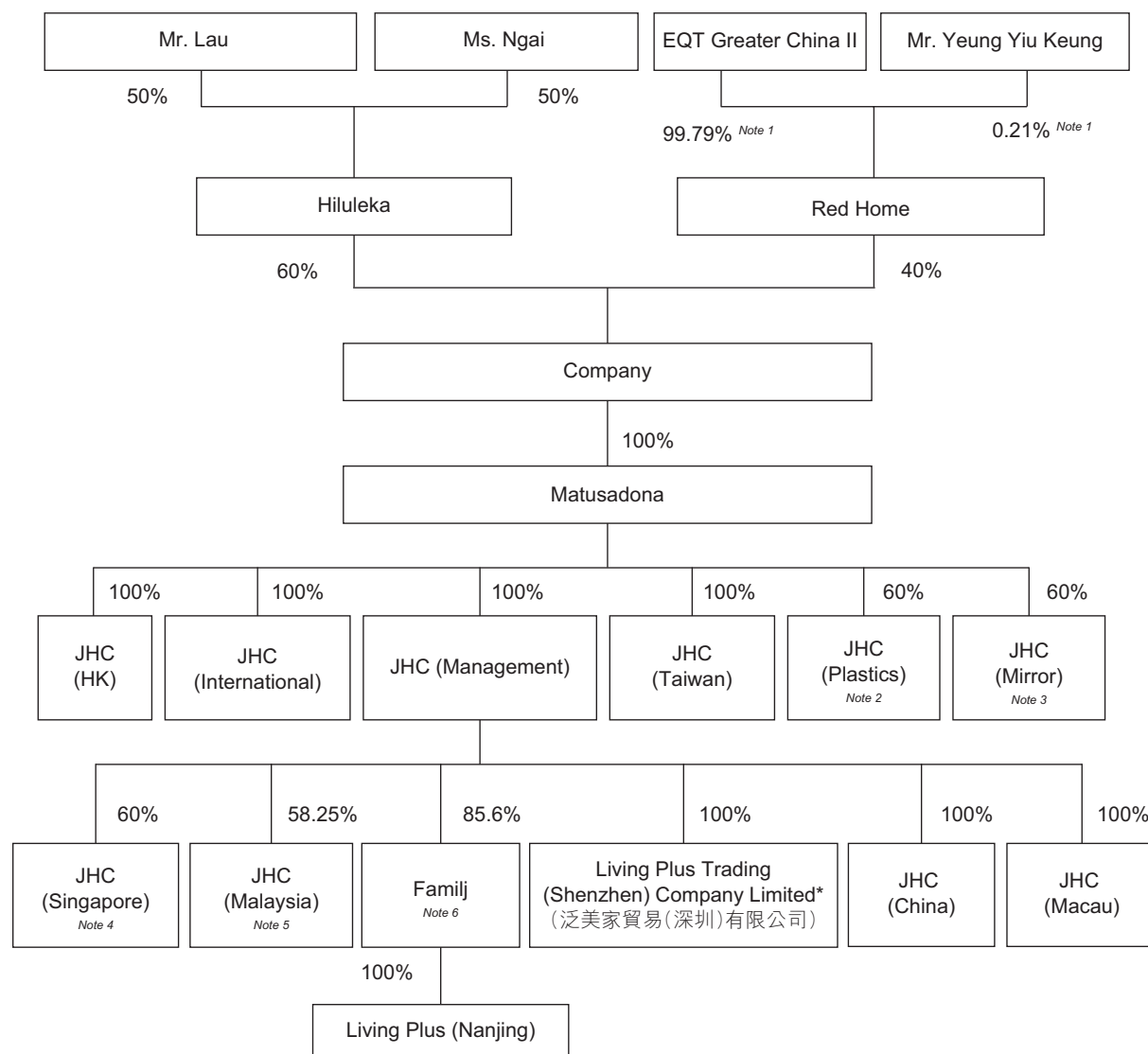


\* For identification purpose only

## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Global Offering and the Capitalisation Issue:

### Group structure immediately after the Reorganisation but before the Global Offering and the Capitalisation Issue

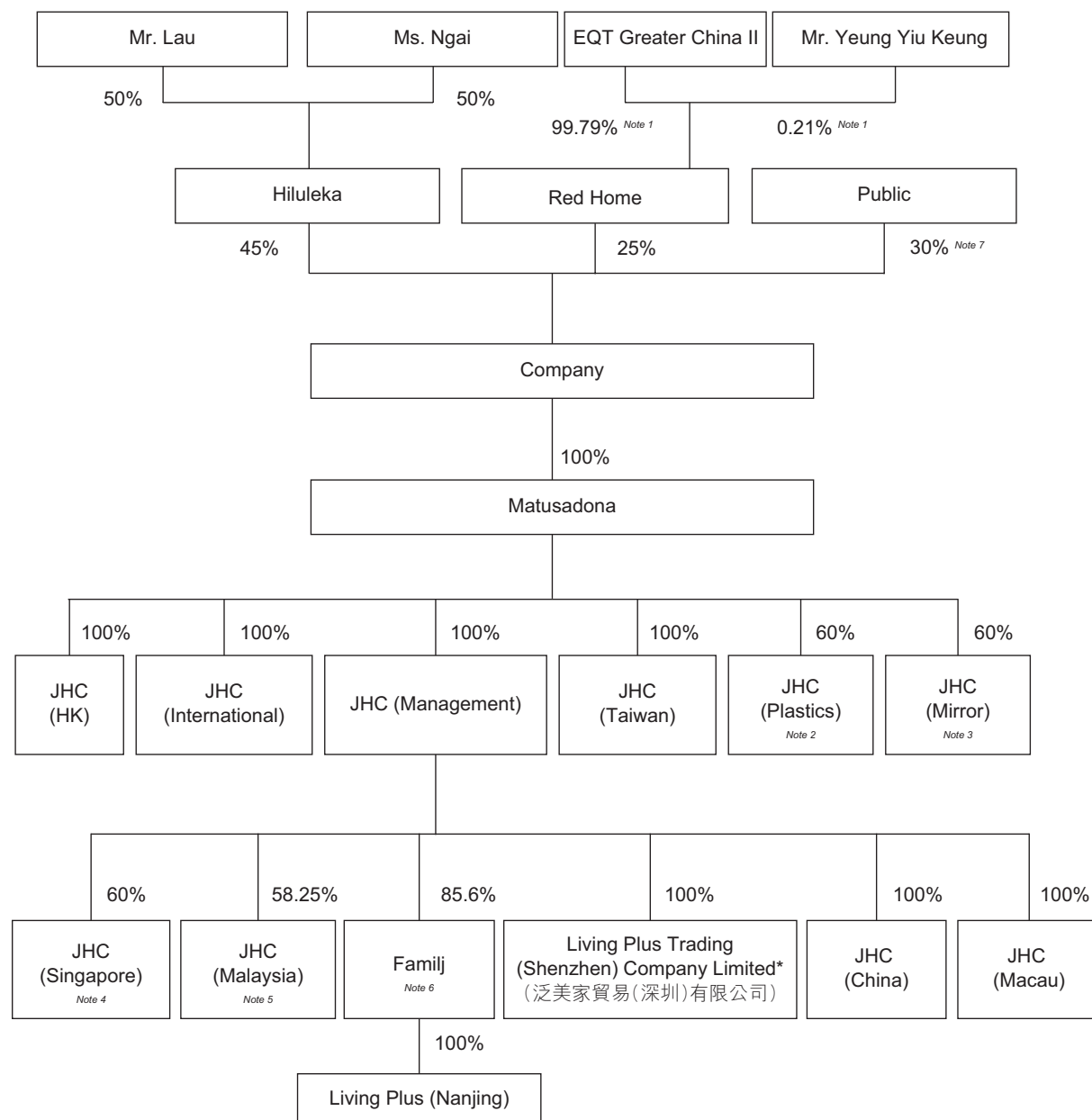


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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-Allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme):

### Group structure immediately after the Global Offering and the Capitalisation Issue



*Note 1:* Home Holding Guernsey Limited and Profit Surplus International Limited respectively hold 710,149 and 3,226 ordinary shares in Red Home (together representing the entire issued ordinary share capital of Red Home). Home Holding Guernsey Limited and Profit Surplus International Limited also respectively hold 2,377,122 and 3,226 redeemable, convertible and non-voting preference shares in Red Home. Since EQT Greater China II holds a 100% interest in Home Holding Guernsey Limited and Mr. Yeung Yiu Keung holds a 100% interest in

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## HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

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Profit Surplus International Limited, therefore EQT Greater China II and Mr. Yeung Yiu Keung are interested in approximately 99.79% and 0.21% shareholding interest in Red Home respectively.

- Note 2:* As at the Latest Practicable Date, JHC (Plastics) was held as to 60% by Matusadona and as to 40% by Mr. Suen Lap Che, an Independent Third Party other than being a director and substantial shareholder of JHC (Plastics).
- Note 3:* As at the Latest Practicable Date, JHC (Mirror) was held as to 60% by Matusadona, as to 20% by Mr. Ho Ying Chuen, an Independent Third Party other than being a director and substantial shareholder of JHC (Mirror) and as to 20% by Ms. Kong Suk Ngan, an Independent Third Party other than being a substantial shareholder of JHC (Mirror).
- Note 4:* As at the Latest Practicable Date, JHC (Singapore) was held as to 60% by JHC (Management) and as to 40% by Japan Home Pte. Ltd., which is 100% owned by Mr. Chin Chain Yong, an Independent Third Party other than being a director and substantial shareholder of JHC (Singapore) and a substantial shareholder of JHC (Malaysia).
- Note 5:* As at the Latest Practicable Date, JHC (Malaysia) was held as to 58.25% by JHC (Management), as to 40.41% by Mr. Chin Chain Yong, an Independent Third Party other than being a substantial shareholder of JHC (Malaysia) and a director and substantial shareholder of JHC (Singapore), and as to 1.34% by Mr. Lim Shek Han, an Independent Third Party but for his shareholding interest in JHC (Malaysia).
- Note 6:* As at the Latest Practicable Date, Familj was held as to 85.6% by JHC (Management) and as to 14.4% by Mr. Mac Lin, an Independent Third Party other than being a substantial shareholder of Familj.
- Note 7:* Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account Shares upon exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), approximately 3.42% of the issued share capital of the Company will be held by Cornerstone Investor as described under the section headed “Cornerstone Investor” of this prospectus.