
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), Hiluleka, which is owned as to 50% by Mr. Lau and 50% by Ms. Ngai, will be beneficially interested in 45% of the issued share capital of our Company. Each of Hiluleka, Mr. Lau and Ms. Ngai will be regarded as a Controlling Shareholder under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Apart from our Group's business, none of our Controlling Shareholders has any interest in, controls or conducts any business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

Having considered the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates following the Listing.

Management independence

The Board comprises a total of eight Directors, with three executive Directors, two non-executive Directors and three independent non-executive Directors. Though two of our Controlling Shareholders (namely, Mr. Lau and Ms. Ngai) also act as our executive Directors, each of them is only entitled to one vote out of eight votes in the board meetings. Besides, the three independent non-executive Directors representing more than one-third of the Board, will ensure that the decisions of the Board are made after due consideration of independent and impartial opinions, the board structure is therefore in line with or better than current governance best practice in Hong Kong.

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 Company and our Directors or their respective associates, the relevant interested Director(s) 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.

Our Group has an independent senior management team carrying out the business decisions of our Group independently and our Directors are satisfied that the senior management team is able to perform their roles in our Company independently.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operational independence

Our Group has our own independent administrative and corporate governance structure comprised of separate individual departments, each with specific areas of responsibilities, including financial and accounting management, inventory management and development. We have also established various internal control procedures to facilitate the effective operation of our business.

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Our Company makes business decisions independently and has sufficient capital, equipment and employees to operate our business independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our sourcing independently and our customers are predominately members of the public, to whom we have independent access.

Based on the above, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group can operate independently.

Financial independence

Our Group has an independent financial system and accounting team under the supervision of the financial controller of our Group so as to make independent financial decisions according to our own business needs.

Our Group's outstanding bank borrowings as at 31 July 2013 was HK\$60.0 million. Our Group's bank borrowings were supported by personal guarantees provided by Mr. Lau and Ms. Ngai and mortgages over real properties owned by them. As at the Latest Practicable Date, our Group has obtained written consents in principle from the creditor banks that such personal guarantees and mortgages will be released if Listing occurs. Such consents mean that our Group can have independent access to third party financing and is able to obtain bank loans without reliance on our Controlling Shareholders.

Amounts due from our shareholders to our Group amounted to HK\$1.6 million as at 31 July 2013. The balance of any outstanding amounts due from/to any of our shareholders will be settled in full before the Listing.

In the circumstances, our Directors believe that our Group is capable of carrying on our business without financial reliance on our Controlling Shareholders.

Corporate governance measures

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) appointment of Somerley Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfil their roles effectively. Further details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management".

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has confirmed that neither he/she/it nor any of his/her/its associates is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in business, which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

Each of our Controlling Shareholders has entered into a deed of non-competition dated 10 September 2013 in favour of our Company (the "Deed of Non-Competition") to the effect that with effect from the Listing Date, severally, irrevocably and unconditionally has agreed and undertaken to our Company (for itself and for and on behalf of all members of the Group) that:

- (a) each of them shall not and shall procure that none of his/her/its associates (other than the members of our Group), except through his/her/its/their interests in our Company, shall, directly or indirectly, carry on, participate in, engage, acquire or hold any right or interest in or otherwise be interested, involved or engaged in or concerned with, any business which is in any respect in competition with or similar to or likely to be in competition, directly or indirectly, with the existing business activity of any member of our Group and any business activities undertaken by the Group from time to time (the "Restricted Business") within Hong Kong, the PRC, Macau, Taiwan, Singapore, Malaysia and such other parts of the world where any member of our Group carries on business from time to time (the "Restricted Territories");
- (b) each of them further jointly, severally, irrevocably and unconditionally agreed, undertook to our Company that, with effect from the Listing Date, in the event he/she/it and/or any of his/her/its associates is offered or becomes aware of any potential business investment or commercial opportunity directly or indirectly relating to the Restricted Business in any of the Restricted Territories, he/she/it:
 - (i) shall promptly notify our Company in writing and direct such business opportunity to our Company for consideration and provide all information as may be reasonably required by our Company in order to make an informed assessment of the potential business investment or commercial opportunity; or
 - (ii) shall not and shall procure that his/her/its associates shall not, invest or participate in any project or potential business investment or commercial opportunity unless (1) such project or potential business investment or commercial opportunity shall have been rejected by our Company in writing; (2) written approval is given by the independent non-executive Directors; and (3) the principal terms of which he/she/it or his/her/its associates invest or participate are no more favourable than those made available to our Company and such terms shall be fully disclosed to our Company prior to consummation of such rejected opportunities.

The above undertakings in this section do not apply to a Controlling Shareholder's ownership of shares (whether individually or collectively with his/her/its associates) in any company whose shares are listed on the Stock Exchange provided that such shares do not exceed 5% of such listed company's issued share capital.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-Competition will cease to have effect on any of our Controlling Shareholders if (i) the day on which the Shares cease to be listed on the Stock Exchange; or (ii) the day on which our Controlling Shareholders cease to be interested in at least 30% of the entire issued share capital of our Company.

For the enforcement of the undertakings contained in the Deed of Non-Competition:

- (a) our Company's independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders and/or their respective associates, or first rights of refusal provided by our Controlling Shareholders and/or their respective associates on their existing or future competing business;
- (b) our Controlling Shareholders shall promptly provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-Competition and make an annual declaration on compliance with the Deed of Non-Competition in the annual report of our Company; and
- (c) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertakings and first right of refusal provided by our Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, or by way of announcements to the public.