

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED], Mr. Lee and Ms. Leung, through their jointly owned investment holding company CGH (BVI), will each control more than 30% of our Company’s issued share capital. For the purpose of the [REDACTED], Mr. Lee, Ms. Leung and CGH (BVI), are our Controlling Shareholders.

Apart from our Company, Mr. Lee and Ms. Leung controls a number of companies which are investment holding in nature, dormant or are engaged in businesses other than the interior design services business, The following table sets forth the companies held by our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date:

	Name	Place of incorporation	Principal business	Shareholding as at the Latest Practicable Date
1	Amersham 1126 Limited	Hong Kong	Investment holding	50% by Mr. Lee and 50% by Ms. Leung
2	Wealthmood Limited	Hong Kong	Investment holding	100% by Mr. Lee
3	Cross Design Limited	Hong Kong	Interior design; in the process of deregistration	50% by Mr. Lee and 50% by Ms. Leung
4	COL Concepts International Limited	Hong Kong	Consultancy services; in the process of deregistration	50% by Mr. Lee and 50% by Ms. Leung
5	Crossmax Design (Macau) Limitada	Macau	Interior design and decoration business; ceased business since the incorporation of CX (Macau)	50% by Mr. Lee and 50% by independent third party

Our Directors are of the view that the business conducted by these other companies controlled by Mr. Lee and Ms. Leung are not, directly or indirectly, in competition with the business of our Group.

As at January 31, 2016, we had a banking facility of HK\$20.0 million that had not been utilized and was available for drawdown. The banking facility was secured by the unlimited personal guarantees executed by Mr. Lee and Ms. Leung, our Controlling Shareholders, and a charge over deposits of HK\$15,000,000. Approval-in-principle has been obtained that all personal guarantees given by Mr. Lee and Ms. Leung, our Controlling Shareholders, in favor of this banking facility will be fully released and discharged upon [REDACTED].

Save as disclosed above, there is no other person who, immediately following completion of the [REDACTED], will be directly or indirectly interested in 30% or more of the Share then in issue.

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INDEPENDENCE OF OUR GROUP

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

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the 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.

(ii) Operational independence

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

Our Directors consider that Mr. Lee has taken all practicable steps to avoid competition with our Group and that Mr. Lee will enter into a deed of non-competition with our Group. They are satisfied that Mr. Lee will not be engaged in material competition with our Group. Details of the deed of non-competition are set out in the paragraph headed “Non-competition undertaking” in this section.

Max Contracting is a Hong Kong-based company with manufacturing facilities in Shenzhen, with whom we have started our business relationship since 2007. During Track Record Period, it is our main supplier for woodwork. Our chairman, Mr. Lee, owns approximately 33.3% shareholding in Max Contracting. Thus Max Contracting is a connected person of our Group and our transactions after [REDACTED] will constitute continuing connected transactions. For details in relation to our continuing connected transactions with Max Contracting, please see the section headed “Connected Transactions”.

In view of the above and considering the operations of our Group as a whole, our Directors are of the view that there is no operational dependence on our 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 an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group’s policies and strategies.

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Each of our Directors is aware of his fiduciary duties as a director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his 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 the 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 is independent from our Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group’s business independently from our Controlling Shareholders.

RULE 8.10 OF THE [REDACTED]

Save as otherwise disclosed, our 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 8.10 of the [REDACTED].

NON-COMPETITION UNDERTAKING

On [●], 2016, our Controlling Shareholders entered into the deed of non-competition (“**Deed of Non-competition**”) in favor of our Company, pursuant to which our Controlling Shareholders irrevocably undertake to us that they will not and will procure their close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of our Group, being interior design business (“**Restricted Business**”) or own any rights or interests in such business.

Our Controlling Shareholders have further irrevocably undertaken that during the Restricted Period (as defined below), they should and will procure their close associates (except any member of our Group) (the Controlling Shareholders and their close associates together, “**Offeror**”) to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities (“**New Business Opportunities**”) related to the Restricted Business become available to the Offeror:

- (i) the Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing (“**Offer Notice**”) about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group.
- (ii) Upon receipt of the Offer Notice, our independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and

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whether they are in the best interest of our Shareholders. We must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about our decision on whether the New Business Opportunities will be pursued.

- (iii) Only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with the Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-competition are not applicable in the following circumstances:

- (i) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or
- (ii) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:
 - (a) the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
 - (b) our Controlling Shareholders and/or their close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and our Controlling Shareholders and/or their close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Deed of Non-competition, the restricted period (“**Restricted Period**”) refers to the period commencing from the [REDACTED] and ending on the following dates (whichever is earlier):

- (i) the date when our Shares cease to be [REDACTED] on the [REDACTED]; and
- (ii) the date when our Controlling Shareholders cease to be controlling shareholders of our Company.

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CORPORATE GOVERNANCE MEASURES

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

- (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his close associates have a material interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they 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 an impartial, external opinion to protect the interests of our [REDACTED]. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Directors — Independent non-executive Directors” in this document; and
- (d) we have appointed Kingsway Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable [REDACTED] including various requirements relating to directors’ duties and corporate governance.