
CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will continue following the Listing and which will constitute continuing connected transactions within the meaning of the Listing Rules.

CONNECTED PERSONS

1. Shing Fun International Industrial Limited (勝豐國際實業有限公司) (“Shing Fun International”)

Shing Fun International and its subsidiaries are mainly engaged in the business of manufacturing and trading of sweater knitwear and investment holding, which is beneficially owned as to 100% by Peakwin Group (a company wholly owned by the Huang Brothers).

2. 金豐製衣(惠州)有限公司 (Jinfeng Garment (Huizhou) Company Limited*) (“Jinfeng Huizhou”)

Jinfeng Huizhou is mainly engaged in the business of manufacturing and selling various kinds of sweater knitwear, which is beneficially owned as to 100% by Jin Feng Holdings (H.K.) Limited, which in turn is beneficially owned as to 100% by Peakwin Group (a company wholly owned by the Huang Brothers).

3. 億城織造製衣(惠州)有限公司 (Yicheng Weaving Garment (Huizhou) Company Limited*) (“Yicheng Huizhou”)

Yicheng Huizhou is mainly engaged in the business of weaving, manufacturing and selling of various kinds of sweater knitwear and soft toys, which is beneficially owned as to 100% by Yi Cheng Holdings (H.K.) Limited, which in turn is beneficially owned as to 100% by Peakwin Group (a company wholly owned by the Huang Brothers).

4. Master Trend

Master Trend is mainly engaged in the business of investment holding, which is beneficially owned as to 100% by Century Grand Holdings Limited (世宏控股有限公司), which in turn is beneficially owned as to 100% by the Huang Brothers. Master Trend holds 100% interest in Dongguan Zhirong Garment Company Limited* (東莞知榮制衣有限公司) (“Dongguan Zhirong”). The Dongguan plant is held by Dongguan Zhirong.

Mr. Huang is the executive Director and one of the Controlling Shareholders and Mr. Huang Chih Chien is one of the Controlling Shareholders. The above four companies are associates of Mr. Huang and/or Mr. Huang Chih Chien and hence they are considered as connected persons of the Group under Rule 14A.11 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Upon the listing of the Shares on the Stock Exchange, the transactions set forth below will constitute continuing connected transactions (the “**Continuing Connected Transactions**”) for the Company which are not exempt from the reporting, annual review and announcement requirements, but are exempt from the independent shareholders’ approval requirements set out in Chapter 14A of the Listing Rules:

1. Tenancy agreements

(a) *Tenancy agreements relating to Hong Kong office*

Background

A tenancy agreement dated 31 December 2011 was entered into between Shing Fun International, as landlord, and Speedy Garment, as tenant, under which Shing Fun International agreed to lease to Speedy Garment, Workshops A and B on 13th Floor, Wing Chai Industrial Building, Nos. 222–224 Choi Hung Road, Nos. 27–29 Ng Fong Street, Kowloon, Hong Kong, with a gross floor area of approximately 8,338 square feet, for a term of three years commencing on 1 January 2012 and ending on 31 December 2014 for office use. Another tenancy agreement dated 31 December 2011 was entered into between Shing Fun International, as landlord, and Jointex Garment, as tenant, under which Shing Fun International agreed to lease to Jointex Garment, Workshops C and D on 13th Floor, Wing Chai Industrial Building, Nos. 222–224 Choi Hung Road, Nos. 27–29 Ng Fong Street, Kowloon, Hong Kong, with a gross floor area of approximately 4,895 square feet, for a term of three years commencing on 1 January 2012 and ending on 31 December 2014 for office use (collectively, the “**Hong Kong Office Tenancy Agreements**”).

Pursuant to the Hong Kong Office Tenancy Agreements, Speedy Garment and Jointex Garment shall pay Shing Fun International monthly rentals in the sum of HK\$66,000 in total.

Historical transaction value

For the period from 1 July 2009 to 31 August 2010, Speedy Garment and Jointex Garment paid monthly rentals in the amount of HK\$32,000 and HK\$29,600 to Shing Fun respectively.

Pursuant to an assignment dated 8 September 2010, Speedy Garment purchased Workshops A to D on 13th Floor, Wing Chai Industrial Building, Nos. 222–224 Choi Hung Road, Nos. 27–29 Ng Fong Street, Kowloon, Hong Kong (the “**Hong Kong Office**”) from Shing Fun for a consideration of HK\$15,900,000. Mr. Huang and Mr. Huang Chih Chien, preferred to hold the Hong Kong Office through Speedy Garment as their personal investment to avoid unnecessary administrative work arising from the tenancy agreement with Shing Fun.

Pursuant to a memorandum of agreement for sale and purchase dated 12 December 2011, Shing Fun International purchased the Hong Kong Office from Speedy Garment for a consideration of HK\$20,000,000 which, as confirmed by the Directors, was determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality. Our Hong Kong Office is a non-core asset in the Group’s businesses and therefore the Directors

CONNECTED TRANSACTIONS

consider not to include the Hong Kong Office as part of the Group's assets. Since Speedy Garment was the owner of the Hong Kong Office from September 2010 to December 2011, there was no rental paid by Speedy Garment during that period. For the six months ended 30 June 2012, the aggregate rental paid by Speedy Garment and Jointex Garment to Shing Fun International was HK\$396,000.

Annual caps

The Directors estimated that the aggregate annual rental payable by Speedy Garment and Jointex Garment to Shing Fun International under the Hong Kong Office Tenancy Agreements is HK\$792,000, therefore, the proposed annual cap for the lease under the Hong Kong Office Tenancy Agreements, for each of the three years ending 31 December 2014 is HK\$792,000. The Directors confirm that the annual rental payable under the Hong Kong Office Tenancy Agreements is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

(b) Tenancy agreement between Jinfeng Huizhou and Koyip Huizhou

A factory tenancy agreement dated 1 December 2011 was entered into between Jinfeng Huizhou, as landlord, and Koyip Huizhou, as tenant, under which Jinfeng Huizhou agreed to lease to Koyip Huizhou, Shengfeng Industrial Park, Julong Village, Yuanzhou Town, Boluo County, Huizhou, the PRC (博羅縣園洲鎮桔龍村勝豐工業園), with a gross floor area of approximately 6,000 square metres, for a term of three years commencing on 1 January 2012 and ending on 31 December 2014 for office and sample room use ("**Huizhou Office Tenancy Agreement**"). Pursuant to the Huizhou Office Tenancy Agreement, Koyip Huizhou shall pay Jinfeng Huizhou an annual rental in the sum of RMB396,000.

Historical transaction value

For the three years ended 2011 and six months ended 30 June 2012, the aggregate rental paid by Koyip Huizhou to Jinfeng Huizhou were RMB201,600, RMB403,200, RMB403,200 and RMB198,000 respectively.

Annual caps

The Directors estimated that the aggregate annual rental payable by Koyip Huizhou to Jinfeng Huizhou under the Huizhou Office Tenancy Agreement is RMB396,000, therefore, the proposed annual cap for the lease under the Huizhou Office Tenancy Agreement, for each of the three years ending 31 December 2014 is RMB396,000. The Directors confirm that the annual rental payable under the Huizhou Office Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

(c) Tenancy agreement between Yicheng Huizhou and Koyip Huizhou

A dormitory tenancy agreement dated 1 December 2011 was entered into between Yicheng Huizhou, as landlord, and Koyip Huizhou, as tenant, under which Yicheng Huizhou agreed to lease to Koyip Huizhou, Shengfeng Industrial Park, Julong Village, Yuanzhou Town, Boluo County, Huizhou, the PRC (博羅縣園洲鎮桔龍村勝豐工業園), with a gross floor area of approximately 2,000 square meters, for a term of

CONNECTED TRANSACTIONS

three years commencing on 1 January 2012 and ending on 31 December 2014 for residential use (“**Huizhou Dormitory Tenancy Agreement**”). Pursuant to the Huizhou Dormitory Tenancy Agreement, Koyip Huizhou shall pay Yicheng Huizhou an annual rental in the sum of RMB132,000.

Historical transaction value

Since there was no tenancy agreement entered into between Yicheng Huizhou and Koyip Huizhou before the Huizhou Dormitory Tenancy Agreement, there was no historical transaction value. For the six months ended 30 June 2012, the aggregate rental paid by Koyip Huizhou to Yicheng Huizhou was RMB66,000.

Annual caps

The Directors estimated that the aggregate annual rental payable by Koyip Huizhou to Yicheng Huizhou under the Huizhou Dormitory Tenancy Agreement is RMB132,000, therefore, the proposed annual cap for the lease under the Huizhou Dormitory Tenancy Agreement, for each of the three years ending 31 December 2014 is RMB132,000. The Directors confirm that the annual rental payable under the Huizhou Dormitory Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

(d) Tenancy agreement between Jinfeng Huizhou and Unisex Trading

A tenancy agreement dated 1 December 2011 was entered into between Jinfeng Huizhou, as landlord, and Unisex Trading, as tenant, under which Jinfeng Huizhou agreed to lease to Unisex Trading, Shengfeng Industrial Park, Julong Village, Yuanzhou Town, Boluo County, Huizhou, the PRC (博羅縣園洲鎮桔龍村勝豐工業園), with a gross floor area of approximately 50 square metres, for a term of three years commencing on 1 January 2012 and ending on 31 December 2014 (“**Unisex Tenancy Agreement**”) for office use. Pursuant to the Unisex Tenancy Agreement, Unisex Trading shall pay Jinfeng Huizhou an annual rental in the sum of RMB3,300.

Historical transaction value

Since there was no tenancy agreement entered into between Jinfeng Huizhou and Unisex Trading before the Unisex Tenancy Agreement, there was no historical transaction value. For the six months ended 30 June 2012, the aggregate rental paid by Unisex Trading to Jinfeng Huizhou was RMB1,650.

Annual caps

The Directors estimated that the aggregate annual rental payable by Unisex Trading to Jinfeng Huizhou under the Unisex Tenancy Agreement is RMB3,300, therefore, the proposed annual cap for the lease under the Unisex Tenancy Agreement, for each of the three years ending 31 December 2014 is RMB3,300. The Directors confirm that the annual rental payable under the Unisex Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

CONNECTED TRANSACTIONS

(e) Tenancy agreement in respect of the factory and dormitory in Dongguan

A tenancy agreement dated 25 December 2011 and a supplemental tenancy agreement dated 24 October 2012 were entered into between Dongguan City Changan Town Xiagang Village Shareholding Economic Cooperation Unit* (東莞市長安鎮廈崗股份經濟聯合社) (the “**Cooperation Unit**”) and Speedy Dongguan. According to an authorisation confirmation letter issued by Dongguan Zhirong, it was confirmed that Dongguan Zhirong has agreed and authorised the Cooperation Unit to lease the property owned by Dongguan Zhirong to Speedy Dongguan. Having obtained a valid authorisation from Dongguan Zhirong, the landlord, the Cooperation Unit agreed to lease to Speedy Dongguan, No. 52 Fuhai Road (福海路52號), with a gross floor area of approximately 29,164 square metres, for a term of three years commencing from 1 January 2012 and ending on 31 December 2014 (“**Dongguan Tenancy Agreement**”). The Dongguan plant occupies a site of approximately 18,919 square metres for factory use and approximately 10,245 square metres for dormitory use respectively. Pursuant to the Dongguan Tenancy Agreement, Speedy Dongguan shall pay the Cooperation Unit an annual rental in the sum of RMB2,799,744. After collecting the rent from Speedy Dongguan, the Cooperation Unit is entitled to certain portion of the rent as administrative fees. The remaining portion of rent will be reimbursed by the Cooperation Unit to Dongguan Zhirong.

Historical transaction value

Since Dongguan Zhirong was not owned by the Huang Brothers before 31 May 2012, there was no historical related parties transaction value between Speedy Dongguan and the Huang Brothers in respect of the leasing of the property before 31 May 2012.

Pursuant to an agreement for sale and purchase of sale shares dated 31 May 2012, Giordano Holdings Limited and Walton International Limited agreed to sell the entire issued share capital of Master Trend to Century Grand Holdings Limited (世宏控股有限公司), which is owned as to 100% by the Huang Brothers. Giordano Holdings Limited and Walton International Limited are wholly owned by Giordano.

After the acquisition of Dongguan Zhirong by the Huang Brothers on 31 May 2012, the aggregate rental paid by Speedy Dongguan to the Cooperation Unit was RMB 233,312 for the six months ended 30 June 2012.

Annual caps

The Directors estimated that the aggregate annual rental payable by Speedy Dongguan to the Cooperation Unit under the Dongguan Tenancy Agreement is RMB2,799,744, therefore, the proposed annual cap for the lease under the Dongguan Tenancy Agreement, for each of the three years ending 31 December 2014 is RMB2,799,744. The Directors confirm that the annual rental payable under the Dongguan Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

CONNECTED TRANSACTIONS

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the transactions under the Hong Kong Office Tenancy Agreements, the Huizhou Office Tenancy Agreement, the Huizhou Dormitory Tenancy Agreement, the Unisex Tenancy Agreement and Dongguan Tenancy Agreement (collectively the “**Tenancy Agreements**”) have been aggregated. It is anticipated that on an annual basis, the aggregate annual rental to be paid by the Group under the Tenancy Agreements for each of the three years ending 31 December 2014 are approximately HK\$3,464,000, HK\$4,905,000 and HK\$4,905,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Tenancy Agreements is, on an annual basis, more than 0.1% but less than 5%. Therefore, the transactions under the Tenancy Agreements will be exempted from the independent shareholders’ approval requirement but are subject to the reporting and announcement and annual review requirements under Chapter 14A of the Listing Rules. Each of the above Tenancy Agreements is subject to a renewal option by the Group for another term of three years. Any renewal option (if exercised by the Group) shall be subject to the compliance with the Listing Rules.

According to the view of LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, the annual rentals payable for the leases under the Tenancy Agreements are fair, reasonable and are consistent with the prevailing market rates of similar properties in the locality.

As certain subsidiaries of the Group have been using the properties historically, the Directors are of the view that it is in the interest of the Group in terms of cost, time and stability to enter into the above Tenancy Agreements instead of finding and relocating to alternative properties.

Shing Fun International, Jinfeng Huizhou and Yicheng Huizhou are the landlords of certain properties which are leased to the Group. These companies are excluded from the Group because they mainly engage in the business relating to sweater knitwear, which is not the business focus of the Group, and the properties held by them are non-core assets in the Group’s businesses. Moreover, the Huang Brothers acquired the property in Dongguan from Giordano for personal investment purpose.

Application for waivers

As the Continuing Connected Transactions will continue after the Listing on a recurring basis, the Directors consider that strict compliance with the announcement requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to the Company each time when such transactions arise. With respect to the above Continuing Connected Transactions, we have, pursuant to Rule 14A.42(3) of the Listing Rules, applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement requirement under the Listing Rules.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) confirm that the above Continuing Connected Transactions have been and shall be entered into in the ordinary and usual course of the Group’s business and are based on normal commercial

CONNECTED TRANSACTIONS

terms that are fair and reasonable and in the interest of the Shareholders as a whole, and that the proposed annual caps for the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor, Cinda International Capital Limited, considers that the Continuing Connected Transactions have been and shall be entered into in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable and in the interest of the Shareholders as a whole, and that the annual caps set for the Continuing Connected Transactions are fair and reasonable and in the interests of the Group and Shareholders as a whole.

DISCONTINUED RELATED PARTY TRANSACTIONS

The Group entered into certain related party transactions with its related parties during the Track Record Period (“**Related Party Transactions**”). Details of the Related Party Transactions are set out in Note 30 of the Accountant’s Report of the Company in Appendix 1 to this Prospectus.

Save and except for the Continuing Connected Transactions which are expected to continue after the Listing, all other Related Party Transactions have either been discontinued or settled or are expected to be discontinued or settled upon or prior to the Listing.

The reasons for entering into and termination of the Related Party Transactions are as follows:

(i) Rental expenses payable or paid

(a) *Shing Fun*

After the commencement of the operation of the Group in around 2004, the Group’s Hong Kong office was located at Perfect Industrial Building (善美工業大廈) in San Po Kong. In 2009, due to the business development of the Group which required more space for management and administration purpose in Hong Kong, the management of the Group decided to move to the Hong Kong Office located at Wing Chai Industrial Building (永濟工業大廈), which was owned by Shing Fun at that time and also located at San Po Kong, so as to save estate agent commission and relocation costs. Therefore, a tenancy agreement was entered into between the Group and Shing Fun in mid-2009. The management of the Group at that time considered that the total monthly rent in the amount of HK\$61,600 paid to Shing Fun was fair and reasonable. The tenancy agreement between Shing Fun and the Group was terminated when Speedy Garment acquired the Hong Kong Office from Shing Fun in around September 2010.

(b) *Glory Unit Investments Limited*

Glory Unit Investments Limited is wholly owned by the wife of Mr. Huang, an executive Director and one of the Controlling Shareholders. During the Track Record Period, Mr. Huang and his wife have lived in a property which is owned by Glory Unit Investments Limited and a rent was paid by the Group to Glory Unit Investments Limited as part of the remuneration package for Mr. Huang. As the tenancy agreement

CONNECTED TRANSACTIONS

between Glory Unit Investments Limited and the Group was terminated on 31 December 2011, the Group will no longer pay any rent to Glory Unit Investments Limited.

Mr. Huang's remuneration package will be approximately HK\$3,800,000 in 2012 (compared to HK\$3,862,000 in 2011). The remuneration package in 2012 and 2011 are more or less the same and the difference is that HK\$1,200,000 of the remuneration package in 2011 was in the form of housing allowance while the whole remuneration package in 2012 is in the form of cash salary.

(c) Jinfeng Huizhou

During the Track Record Period, the Group needed certain spaces in the PRC to set up another production plant. The management of the Group at that time considered that certain part of the industrial park owned by Jinfeng Huizhou provided suitable premises for setting up the Huizhou plant because of its location and facilities. Therefore, the Group leased certain areas from Jinfeng Huizhou to set up the Huizhou plant for factory, office and sample room uses in 2009. The management of the Group at that time considered that the total monthly rent in the amount of RMB123,200 paid by the Group to Jinfeng Huizhou was fair and reasonable.

As the Group has strategically increased the proportion of production orders allocated to third-party manufacturers and retained a minimal level of in-house production capacities to achieve economies of scale, the Group would not need certain factory areas for production. As a result, the subsidiaries of the Group (namely Koyip Huizhou and Unisex Trading) and Jinfeng Huizhou entered into new tenancy agreements which will constitute continuing connected transactions after the Listing. The subsidiaries of the Group will lease certain areas from Jinfeng Huizhou for office and/or sample room uses under the new tenancy agreements.

(ii) Transportation fees payable or paid to Shing Fun International

The management office of the Group is in Hong Kong whereas the production plants of the Group are located in the PRC, the Group need certain logistic services for transporting staff and garment samples back and forth Hong Kong and the PRC. Furthermore, the Excluded Group has its own internal transportation team which provides logistics services to its subsidiaries whereas the Group has no internal transportation team. As the Huizhou plant of the Group is located in the industrial park owned by the Excluded Group, the management of the Group at that time considered that it would be more administratively convenient for the Group to engage the logistic services of the Excluded Group as the Group could make any urgent transportation arrangement in a short notice period. In this regard, the Group paid certain transportation fees, with reference to the market prices of similar transportation services, to the Excluded Group for using its vehicles and transportation personnel during the Track Record Period.

The Directors consider that the transportation services are ancillary and are not core to the businesses of the Group and in order to make a clear delineation of the businesses of the Group and the Excluded Group, the Group has retained the transportation services from independent service provider and will not pay any transportation fees to the Excluded Group.

CONNECTED TRANSACTIONS

(iii) Purchase of raw materials, consumables, apparels and provision of production services from Yaohui Huizhou, Yicheng Huizhou and Junda Huizhou

Certain subsidiaries of the Excluded Group produce raw materials and consumables (including packaging materials and fabrics) for the garment manufacturing industry and have the ability to source garment products from independent third parties economically. The management of the Group at that time considered that the Excluded Group could provide stable supply of raw materials and consumables to the Group. Furthermore, there were occasions that the Group had no vacant production capacity to cater for urgent orders from its customers. The Group could request the Excluded Group to source garment products from independent third parties (but it would not prohibit the Group from sourcing garment products from other independent third parties). The management of the Group at that time considered that the costs of the raw materials, consumables and garments products together with the production services fees paid by the Group to the Excluded Group were determined with reference to the market prices of similar products and services.

The Directors consider that such raw materials, consumables and garment products are very common and could be easily sourced from other independent third parties. In order to make a clear delineation of the businesses of the Group and Excluded Group, the Group began to source raw materials, consumables and garment products only from independent third parties commencing from 1 January 2012 and therefore the related party transactions relating to Yaohui Huizhou, Yicheng Huizhou and Junda Huizhou were then discontinued.

(iv) Purchase of property, plant and equipment from Shing Fun

Speedy Garment acquired the Hong Kong Office from Shing Fun in around September 2010 for a consideration of HK\$15,900,000. At that time Mr. Huang and Mr. Huang Chih Chien, preferred to hold the Hong Kong Office through Speedy Garment as their personal investment to avoid unnecessary administrative work arising from the tenancy agreement with Shing Fun owned by themselves.

Speedy Garment sold the Hong Kong Office subsequently in around December 2011. For details, please refer to paragraph (vii) below.

(v) Purchase of trademarks from Mr. Wong Yung

Certain PRC trademarks of the Group were held by Mr. Wong Yung, a member of senior management, at the time of the application for registration in the PRC for administrative convenience purpose. In or around November 2010, Mr. Wong Yung transferred the PRC trademarks to Shining China, a subsidiary of the Group.

(vi) Commission income from consignment sales service through retail outlets from Shing Fun International

Shanghai Shining operates the Group's apparel retail business in the PRC. During the Track Record Period, Shing Fun International sold some of its garment products and accessories through the POS of the Group on consignment basis. In return, the Group charged a commission fee for the provision of such retail services based on the total amount of selling and administrative expenses incurred in the apparel retail segment multiplied by the proportion of consignment sales of Shing Fun International to the total

CONNECTED TRANSACTIONS

sales under the apparel retail segment. In order to make a clear delineation of the businesses of the Group and Excluded Group, the Group ceased the consignment arrangement in 2011.

(vii) Sale of office building to Shing Fun International

Shing Fun International acquired the Hong Kong Office from Speedy Garment in around December 2011 for a consideration of HK\$20,000,000. Since the Company considers that the Hong Kong Office is not its core assets for the Group, the Company decided not to include the Hong Kong Office as part of the Group's assets and Mr. Huang and Mr. Huang Chih Chien would continue to hold it as their personal investment through the Excluded Group.

(viii) Provision of processing service

Yicheng Huizhou is a company of the Excluded Group which mainly conducts trading of garments. In around December 2011, Yicheng Huizhou solicited sales orders from an Independent Third Party relating to pants which involve a portion of cutting and sewing process and Yicheng Huizhou requested the Group to perform such process. Since the Group has vacant production capacity at that time, the Group entered into a contract with Yicheng Huizhou to carry out the process. The management of the Group considered that the sub-contracting charges paid by the Yicheng Huizhou to the Group were determined with reference to the market prices of processing similar products.

The above transaction was on an individual basis and therefore it was not continuing.

(ix) Guarantees/securities provided by certain related parties for bills payable or pledged for bank borrowings

It is common for banks to request guarantee/security from the controlling shareholders. However, in order for the Group to prove its ability to carry on its business independently of its Controlling Shareholders and maintain financial independence after the Listing, the Group fully repaid bills payable guaranteed by the related parties prior to the Listing and the related parties' guarantees for our bank borrowings will be discharged upon the Listing.

(x) Financial guarantees contracts jointly provided by certain subsidiaries of the Group and Shingfeng Huizhou, Junda Huizhou and Shing Fun International

It is common for banks to request guarantee/security from the controlling shareholders. However, in order for the Group to prove its ability to carry on its business independently of its Controlling Shareholders and maintain financial independence after the Listing, the financial guarantees contracts were released prior to the Listing.

(xi) Guarantee for profit distribution

A fellow subsidiary of the Group, namely Higrowth, provided a guarantee for profit distribution to a shareholder (namely Giordano's investment vehicle) of a subsidiary of the Group. Subject to the terms and conditions in its articles of association, guaranteed payments should be made whenever the dividend distribution to the shareholder of the subsidiary does not meet certain threshold. No guaranteed payments were made during the relevant periods as the dividend distribution to the shareholder exceeded the threshold. The guarantee arrangement was terminated in 2011.