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## CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

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Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), Hong Kong Golden Phoenix, which is wholly-owned by Mr. Sui, will be interested in 46.2% of the issued share capital of our Company. Hence, Mr. Sui and Hong Kong Golden Phoenix will be our Controlling Shareholders within the meaning of the Listing Rules.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be sold upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of shareholder	Capacity	Number of Shares	Approximate percentage of issued Shares
Hong Kong Golden Phoenix ( <i>note 1</i> )	Beneficial owner	462,000,000 Shares (long position)	46.2%
Mr. Sui	Interest of a controlled corporation	462,000,000 Shares ( <i>note 1</i> ) (long position)	46.2%
Hong Kong Dragon Yu ( <i>note 2</i> )	Beneficial owner	108,000,000 Shares (long position)	10.8%
Mr. Zhu	Interest of a controlled corporation	108,000,000 Shares ( <i>note 2</i> ) (long position)	10.8%
City Expert ( <i>note 3</i> )	Beneficial owner	52,500,000 Shares (long position)	5.25%
Hung Wing Koi	Interest of a controlled corporation	52,500,000 Shares ( <i>note 3</i> ) (long position)	5.25%
Goldyield ( <i>note 4</i> )	Beneficial owner	52,500,000 Shares (long position)	5.25%
Sze Man Yiu	Interest of a controlled corporation	52,500,000 Shares ( <i>note 4</i> ) (long position)	5.25%

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*Notes:*

1. Hong Kong Golden Phoenix is a company incorporated in Hong Kong, the entire issued share capital of which is held by Mr. Sui. Accordingly, Mr. Sui is deemed to be interested in these Shares held by Hong Kong Golden Phoenix under the SFO.
2. Hong Kong Dragon Yu is a company incorporated in Hong Kong, the entire issued share capital of which is held by Mr. Zhu. Accordingly, Mr. Zhu is deemed to be interested in these Shares held by Hong Kong Dragon Yu under the SFO.
3. City Expert is a company incorporated in BVI, the entire issued share capital of which is held by Hung Wing Koi, an Independent Third Party. Accordingly, Hung Wing Koi is deemed to be interested in these Shares held by City Expert under the SFO.
4. Goldyield is a company incorporated in BVI, the entire issued share capital of which is held by Sze Man Yiu. Accordingly, Sze Man Yiu is deemed to be interested in these Shares held by Goldyield under the SFO.

Should the Over-allotment Option is exercised in full, Hong Kong Golden Phoenix will hold 44.34% interests in our Company, Hong Kong Dragon Yu will hold 10.36% interests in our Company, City Expert will hold 5.04% interests in our Company and Goldyield will hold 5.04% interests in our Company.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

### COMPETING INTERESTS

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

### DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders, Hong Kong Dragon Yu and Mr. Zhu (collectively, the “**Covenantors**”) has entered into a deed of non-competition with our Company whereby each of the Covenantors irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and (i) the Covenantors, individually or collectively with its/his associates, are, directly or

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indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Covenantor remains as our executive Director, each of the Covenantors shall, and shall procure that its/his respective associates shall:—

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;
- (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 customers, suppliers and staff of our Group;
- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Covenantor (including its/his associates) and our Group, in particular, a transaction between any of the relevant Covenantor (including its/his associates) and our Group; and
- (d) provide as soon as practicable upon our Company's request a written confirmation in respect of compliance by it with the terms of the deed of non-competition and 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 the Company for its review.

In addition, each of the Covenantors hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to it/him or its/his associates (other than members of our Group), it or he will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure its/his associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he or it (or his/its associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of our Group, he or it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of the Covenantors further irrevocably and unconditionally, undertakes that it or he will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether it or he has complied with such undertakings.

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The deed of non-competition will cease to have any effect on the earliest of the date on which:–

- (a) our Company becomes wholly-owned by any of the Covenantor and/or its/his associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or its/his associates in the Shares in issue falls below 30% of the number of Shares in issue and the relevant Covenantor shall cease to be our executive Director; or
- (c) the Shares cease to be listed on the Stock Exchange.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken account of the following factors, our Directors are satisfied that our Group can carry on its business independently of our Controlling Shareholders following the Listing:

#### Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of eight members, comprising of five executive Directors and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, 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 interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the 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. Further, the independent non-executive Directors will bring independent judgment to the decision making process of our Board. The senior management team possesses in-depth experience and understanding of the industry in which our Group is engaged. In this regard, our Directors are of the view that our Group can be managed independently notwithstanding that Mr. Sui, being a Controlling Shareholder, is an executive Director.

#### Operational independence

The organisational structure of our Group is made up of a number of departments, comprising general and administration department, procurement and logistics department, production department, sales and marketing department, finance department, research and development department and quality control department. Each department takes a specific role in our Group's operations. There are internal control procedures to ensure effective operation of our Group's business. Furthermore, our Group has its own production lines and its own sources of suppliers and customers, which are all Independent Third Parties. Accordingly, our Group can carry out its business operations independently.

#### Financial independence

Our Directors are of the view that our Group does not unduly rely on the advances from our Controlling Shareholders and related parties for its business operations. As of 31 December 2010, 2011 and 2012, the total outstanding amount of loans and advances from our Controlling Shareholders and their

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associates were approximately RMB41.4 million, RMB43.6 million and RMB4.8 million, respectively, all of which shall be fully settled prior to the Listing. The loans and advances from our Controlling Shareholders and their associates were primarily used for acquisition of property, plant and equipment, guarantee deposit for bank acceptance bills, payment of Listing expenses and as general working capital. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Furthermore, our Group has its own finance department and has established its own financial accounting system independent of our Controlling Shareholders. Our Group has its own bank account, makes its tax registrations and has employed a sufficient number of financial accounting personnel. Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

### NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:—

- (a) in the period commencing on the date of by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which is 12 months from the Listing Date, he or it shall:—

- (a) when he or it pledges or charges any securities beneficially owned by he or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

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Each of Mr. Zhu and Hong Kong Dragon Yu, being our substantial shareholders, has jointly and severally, undertaken with our Company that each of them shall and shall procure that the registered holder(s) shall not in the period of 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s).