

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and Capitalization Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which has been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), Ms. Yufeng LIU will be interested in, through Cross Mark, approximately 34.19% of the post offering enlarged issued share capital of our Company and hence will continue to be our ultimate Controlling Shareholder.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders after the Global Offering.

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises one executive Director, three non-executive Directors and three independent non-executive Directors. Ms. Yufeng LIU does not hold any directorship in our Company or any management position of our Group, while there is no impediment for her to act as a Director under Rule 3.08 and Rule 3.09 of the Listing Rules. Ms. Yue'e ZHANG, daughter of Ms. Yufeng LIU, is a non-executive Director who will be not involved in the management of our daily operation. All of our executive Director and senior management who are in charge of different functions are full time officers and employees of our Group. Our executive Director has also entered into a service contract with our Company for a term of three years.

Our Board meets regularly to consider major matters affecting our operations. Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and 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 interest arising out of any transaction to be entered into between our Group and any of our Directors, 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 forming quorum for the relevant Board meeting. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

All our senior management members are independent from our ultimate Controlling Shareholders. They have substantial experience in the industry which we are engaged in and the majority of them have served our Group for a sufficient length of time during which period they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational Independence

All our operating subsidiaries hold all relevant licenses that are material in relation to our business operations in their own names. We have sufficient operational capacity in terms of capital, plants and machinery equipment, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers and an independent management team to handle our day-to-day operations.

We are led by a management team with extensive experience and technical expertise in the industry that we are engaged in. The majority of our senior management team has been serving our Group since 2008. Please refer to “Directors and Senior Management” for further details.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. As of the Latest Practicable Date, (i) we did not have any outstanding loans or borrowings from our Controlling Shareholders; and (ii) none of our outstanding loans or borrowings was guaranteed by our Controlling Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering as we expect that our working capital will be funded by our operating income and bank borrowings.

We have our own financial management system and ability to operate independently of our Controlling Shareholders from a financial perspective.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Ms. Yufeng LIU, our ultimate Controlling Shareholder, confirms that she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our business and which would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Ms. Yufeng LIU and Cross Mark (the “Covenanters”) have entered into a deed of non-competition (the “**Non-competition Deed**”) in favor of us, pursuant to which each of the Covenanters has irrevocably, jointly and severally undertaken to us that she/it would not, and that any entity controlled by her/it (except any member of our Group) would not, during the restricted period set out below, directly or indirectly, either body corporate, partnership, joint venture on her or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business (the “**Restricted Business**”).

Such non-competition undertaking does not apply in relation to:

- (a) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business which has first been offered or made available to our Company, and our Company, after review and approval by our Directors or shareholders as required under the relevant laws and regulations, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business, provided that the principal terms by which the Covenanter (or her relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favorable than those made available to our Company; or
- (b) any interests in the shares or equity interests of any member of our Group; or
- (c) interests in the shares of a company whose shares are listed on a recognized stock exchange, provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by the Covenanter and any entity controlled by her in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenanter together with any entity controlled by her are not entitled to appoint a majority of the directors of that company.

The “restricted period” stated in the Non-competition Deed refers to the period during which (i) our Shares remain listed on the Stock Exchange; (ii) the Covenanter and any entity controlled by her, individually or jointly, are entitled to exercise or control the exercise of no less than 30% of the voting power at general meetings of our Company; and (iii) the Covenanter is as a director of any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Covenanter has further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity (the “**New Opportunity**”) in the PRC relating to the Restricted Business identified by or offered to her or any entity controlled by her, is first referred to us in the following manner:

- (a) the Covenanter is required to refer, or to procure the referral of, the New Opportunity to us, and shall give written notice (the “Offer Notice”) to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs; and
- (b) the Covenanter will be entitled to pursue the New Opportunity only if (i) she has received a notice from us declining the New Opportunity, or (ii) she has not received such notice from us within fifteen (15) Business Days (which may be extended for a reasonable period of time as and if requested by our Board committee comprising only independent non-executive Directors (the “Independent Board Committee”)) from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Covenanter, she will refer the New Opportunity as so revised to us in the manner set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our Independent Board Committee as to whether (i) such New Opportunity would constitute competition with our core business, (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity, and (iii) to pursue or decline the New Opportunity. Such opinions and decisions (together with their bases) from our Independent Board Committee will be disclosed in our annual reports.

Our Directors consider that our independent non-executive Directors have sufficient experience in assessing whether or not to take up any New Opportunity. Our Board committee comprising only independent non-executive Directors will also review, on an annual basis, the compliance with the Non-competition Deed by the Covenanter, the results of which will be disclosed in our annual reports. In any event, the committee formed by our independent non-executive Directors may appoint financial advisors or professional experts to provide advice, at the cost of our Company, in connection with whether to take up any New Opportunity.

The Covenanter has further undertaken to:

- (a) procure that all relevant information relating to the implementation of the Non-competition Deed in her possession and/or the possession of any of her associates be provided to us;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our advisers to have access to her financial and corporate records as may be necessary for us to determine whether the non-competition undertakings in the Non-competition Deed have been complied with by the Covenanter and her associates;
- (c) provide us, within twenty (20) Business Days from the receipt of our written request, with a written confirmation in respect of her compliance and that of her associates with the non-competition undertakings in the Non-competition Deed and consent to the inclusion of such confirmation in our annual reports; and
- (d) provide all information necessary for the annual review by our Board committee comprising only independent non-executive Directors, and the enforcement of the Non-competition Deed.

The Covenanter (for herself and on behalf of the entities controlled by her (except for any member of our Group)) (i) has further acknowledged that we may be required by applicable laws, regulations, rules of stock exchange(s) on which we may be listed and relevant regulatory bodies, to disclose, from time to time, information on any New Opportunity, including but not limited to the disclosure in public announcements or our annual reports of decisions made by us to pursue or decline such New Opportunity and basis for such decisions; and (ii) has agreed to such disclosure to the extent necessary to comply with any such requirement.

Each of our Directors has confirmed that he/she is not engaged in any business which competes or is likely to compete, either directly or indirectly, with our business.