
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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), China Wisdom will be interested in approximately 69.4% of the issued share capital of our Company. Hence, China Wisdom, Central Profit and Mr. Chen Fanglin will be our Controlling Shareholders.

COMPANIES OWNED BY CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

Mr. Chen Fanglin, our chairman and one of our executive Directors, and/or his associates have interests in the following companies, which are not included in our Group (the “**Excluded Companies**”):

Dongfang (Quanzhou) Light Industry Co., Ltd.

Dongfang (Quanzhou) Light Industry Co., Ltd. (東方(泉州)輕工有限公司) is a company established in the PRC on 21 December 1995 and is owned by Allen Arts (H.K.), a company wholly-owned by Mr. Chen Fanglin. The approved scope of business of this company includes the manufacturing of plastic products for industrial use. Other than the related party transactions as referred to in note 33 to the Accountant’s Report as set out in Appendix I to this prospectus, we did not enter into any transaction with this company during the Track Record Period.

Dongfang (Quanzhou) Art Products Co., Ltd.

Dongfang (Quanzhou) Art Products Co., Ltd. (東方(泉州)藝品有限公司) is a company established in the PRC on 12 October 1995 and is owned by Sunsharp (Int’l) Co., Limited, a company wholly-owned by Mr. Chen Fanglin. The approved scope of business of this company includes the manufacturing of plastic products for industrial use. During the Track Record Period, we did not enter into any transaction with this company.

Fujian Meiya Property Development Co., Ltd.

Fujian Meiya Property Development Co., Ltd. (福建美亞房地產開發有限公司) (“**Meiya Property**”) is a company established in the PRC on 1 August 2005 and is owned as to 52% by Mr. Chen Fanglin and 48% by an Independent Third Party. The approved scope of business of Meiya Property includes property development and management. Other than (a) the related party transactions as referred to in note 33 to the Accountant’s Report as set out in Appendix I to this prospectus; and (b) the loans in the aggregate principal amount of RMB50.0 million taken out by Fujian Allen from an independent bank and such loans was paid directly to Meiya Property, who was responsible for the repayment of the loans and interest accrued thereon, we did not enter into any transaction with Meiya Property during the Track Record Period.

Quanzhou Huaxin Trading Co., Ltd.

Quanzhou Huaxin Trading Co., Ltd. (泉州華欣貿易有限公司) is a company established in the PRC on 24 May 2002 and is owned as to 20% by Mr. Shen Jianzhong, one of our executive Directors, 20% by Mr. Zhu Shukun (朱樹坤), an employee of our Group, both as nominees for Mr. Chen Fanglin, and 40% by an Independent Third Party. The equity interests held by Mr. Shen Jianzhong and Mr. Zhu Shu Kun were held on behalf of Mr. Chen Fanglin. The approved scope of business of this company includes sales of non-chemical raw materials for porcelain and polyresin and building materials. During the Track Record Period, we did not enter into any transaction with this company.

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Quanzhou Xinliya Trading Co., Ltd.

Quanzhou Xinliya Trading Co., Ltd. (泉州欣利亞商貿有限公司) is a company established in the PRC on 23 September 1999 and is wholly-owned by Mr. Chen Fanglin. The approved scope of business of this company includes sales of raw materials for porcelain, polyresin, chemicals, furniture, building materials, enterprise management and consultancy and investment management. Other than the related party transactions as referred to in note 33 to the Accountant's Report as set out in Appendix I to this prospectus, we did not enter into any transaction with this company during the Track Record Period.

Yilin (Quanzhou) Packaging Materials Co., Ltd.

Yilin (Quanzhou) Packaging Materials Co., Ltd. (怡林(泉州)包裝用品有限公司) is a company established in the PRC on 29 June 1997 and is wholly-owned by Allen Arts (H.K.), a company wholly-owned by Mr. Chen Fanglin. The approved scope of business of this company includes the manufacturing of paper boxes. During the Track Record Period, we did not enter into any transaction with this company.

Allen Porcelain Products (Quanzhou) Co., Ltd.

Allen Porcelain Products (Quanzhou) Co., Ltd. (亞倫陶瓷製品(泉州)有限公司) is a company established in the PRC on 16 June 1998 and is wholly-owned by Allen Arts (H.K.), a company wholly-owned by Mr. Chen Fanglin. The approved scope of business of this company includes the manufacturing of raw materials for artistic porcelain products. During the Track Record Period, we did not enter into any transaction with this company.

Allen Arts (H.K.)

Allen Arts (H.K.) is a limited company incorporated in Hong Kong on 7 March 1997 and is wholly-owned by Mr. Chen Fanglin. The principal business of Allen Arts (H.K.) is investment holding. Allen Arts (H.K.) was the holding company of China Allen, Fujian Allen and Quanzhou Allen until July 2010. During the Track Record Period, we did not enter into any transactions with Allen Arts (H.K.).

Sunsharp (Int'l) Co., Limited

Sunsharp (Int'l) Co., Limited is a limited company incorporated in Hong Kong on 24 June 2006 and is wholly-owned by Mr. Chen Fanglin. The principal business of Sunsharp (Int'l) Co., Limited is investment holding. During the Track Record Period, we did not enter into any transactions with Sunsharp (Int'l) Co., Limited.

Quanzhou Rifeng Porcelain Co., Ltd.

Quanzhou Rifeng Porcelain Co., Ltd. (泉州日烽陶瓷有限公司) is a company established in the PRC on 25 February 2002 and is held by Mr. Li Zhihong (李志宏), one of our former employees, on behalf of Ms. Chen Xiangqun, the spouse of Mr. Chen Fanglin. The approved scope of business of this company includes the manufacturing of porcelain products for use in bathroom and as tea utensils, which are not classified as home decor products. During the Track Record Period, we did not enter into any transactions with this company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

COMPANIES PREVIOUSLY OWNED BY CONTROLLING SHAREHOLDERS AND SUBSEQUENTLY TRANSFERRED TO OUR CUSTOMERS

Previously, Mr. Chen Fanglin established a U.S. corporation as a vehicle to explore business opportunities in the trading of electric fireplaces and home decor products in the U.S.. Since the investment cost was greater than estimated, in 2010, Mr. Chen Fanglin disposed of his entire equity interest in the corporation to an Independent Third Party, who is the shareholder of one of our overseas customers. During the Track Record Period, we did not enter into any transaction with this U.S. corporation.

In July 2009, Mr. Chen Fanglin and his business partner established a company in the PRC, which was initially owned as to 95% by Mr. Chen Fanglin and 5% by his business partner and was principally engaged in property development. A company controlled by this business partner was also our customer during the Track Record Period. In 2010, with the land policies and measures in relation to the property development promulgated by the PRC government, Mr. Chen Fanglin and his business partner transferred all of their equity interests in the company to two Independent Third Parties, one of whom is the shareholder of one of our customers. During the Track Record Period, we did not enter into any transaction with this company.

Our Directors confirmed that the current principal business or products of the Excluded Companies (i) is not within the principal business scope or same as the products of our Group; and (ii) the Excluded Companies have their own operation, financial support and management independent of our Group. In light of the foregoing, our Directors are of the view that the Excluded Companies do not compete with our Group. Our Directors believe that it is inappropriate to include any part of the Excluded Companies into 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, Chen Xiangqun and Regal One (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 (a) the Covenantors, individually or collectively with its/his/her associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or (b) the relevant Covenantor remains as an executive Director, each of the Covenantors shall, and shall procure that its/his/her 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;

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- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Covenantor (including its/his/her associates) and our Group, in particular, a transaction between any of the relevant Covenantor (including its/his/her 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/her or its/his/her associates (other than members of our Group), it, he or she 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/her associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If it, he or she (or its/his/her 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, it, he or she 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 Company 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. In the event that any new Business Opportunity is directed to our Group by the Covenantors, we will disclose such Business Opportunity, including any decisions made in respect of such Business Opportunity, in our interim and annual reports after the Listing.

Each of the Covenantors further irrevocably and unconditionally, undertakes that it, he or she 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 or she has complied with such undertakings.

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/her associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or its/his/her associates in the Shares in issue falls below 30% of the number of Shares in issue; or
- (c) the Shares cease to be listed on the Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 six members, comprising of three executive Directors and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a Director of our Company 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/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 judgement 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 Chen Fanglin, a Controlling Shareholder, is an executive Director.

Operational independence

The organisational structure of our Group is made up of a number of departments, comprising management, production, quality assurance, general and administration, purchase and logistics, design and development and sales and marketing departments. 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, 2012 and 30 June 2013, the total outstanding amount due to our Controlling Shareholders and their associates were approximately RMB0.05 million, RMB0.12 million, RMB4.16 million and nil, respectively, all of which shall be fully settled prior to the Listing. 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.

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NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING 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/she 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, it, he or she shall:

- (a) when it, he or she pledges or charges any securities beneficially owned by it, he or she 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 it, he or she 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.