

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, our Company will be owned as to approximately 62.10% by Fuguiniao Holdco. Fuguiniao Holdco is an investment holding company owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. In addition, Mr. Lam Wo Ping indirectly owns 3.75% of the issued share capital of our Company through his wholly-owned holding company Wo Hing Trading. Accordingly, as Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, directly or indirectly, will together be entitled to exercise approximately 65.85% of the voting power at general meetings of our Company, each of Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho will be regarded as our Controlling Shareholders under the Listing Rules immediately following the Listing.

Except for their respective interests in our Group, the Controlling Shareholders had no interest in any other companies as of the Latest Practicable Date, which may, directly or indirectly, compete with our Group's business.

NON-COMPETITION UNDERTAKING

Non-competition

The Controlling Shareholders have entered into the Deed of Non-competition in favor of our Company, pursuant to which the Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, including but not limited to, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the H Shares of our Company remain listed on the Stock Exchange; and (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his associate still holds directly or indirectly an equity interest in our Company and (iii) the Controlling Shareholders and/or its/his respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Options for New Business Opportunities

Each of the Controlling Shareholders has undertaken to procure that, during the restricted period, if any business opportunity is offered to any of the Controlling Shareholders or its/his respective associates which falls within the scope of the Restricted Business, the Controlling Shareholders will immediately notify or cause their associates to notify ("**Offer Notice**") our Company of such business opportunity, and will assist our Company (and/or its subsidiaries) to obtain such business opportunity on the same terms as those offered to them or their associates, or on more favorable terms or on terms acceptable to our Company (and/or its subsidiaries).

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The Controlling Shareholders will be entitled to pursue such business opportunity only if (i) the Controlling Shareholders and/or their respective associates have given Offer Notice to our Company in relation to the terms and detailed information with respect to their investment, participation and engagement in and/or operation of such business opportunity; and (ii) such business opportunity as offered by the third party has first been offered to our Company (for itself and for the benefit of its subsidiaries), including: (a) the terms of offer between our Company (for itself and for the benefit of its subsidiaries) and the third party; or (b) the terms on which our Company (and/or its subsidiaries) to engage in the Restricted Business with the Controlling Shareholders and/or their respective associates, and our Company, after review and approval by the independent non-executive Directors or at any general meeting of Shareholders (if applicable), where the Controlling Shareholders shall abstain from voting, has confirmed that our Company (and/or its subsidiaries) does not intend to invest in, conduct, operate or participate in such business opportunity and has made relevant written confirmation to the Controlling Shareholders, and the major terms on which the Controlling Shareholders and/or their respective associates invest in, conduct, operate or participate in such business opportunity subsequently will not be more favorable than those terms offered to our Company.

Options for Acquisitions

For any new business opportunity of the Controlling Shareholders, which has been offered to, but has not been taken up by, our Company (and/or its subsidiaries) and has been retained by the Controlling Shareholders, which falls within the scope of the Restricted Business ("**New Business**"), each of the Controlling Shareholders has undertaken to grant us the option ("**Options for Acquisition**") which is exercisable at any time during the term of the restricted period, subject to relevant applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part/or all of the New Business as described above, or to operate the New Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our Options for Acquisition shall be subject to such third-party rights. In this case, the Controlling Shareholders will use its/his best efforts to procure the third party to waive its pre-emptive rights.

The Controlling Shareholders shall procure their respective associates (excluding our Company and its subsidiaries) to comply with the Options for Acquisition granted to our Company (for itself and the benefit of its subsidiaries) by the Controlling Shareholders above.

The consideration shall be determined following negotiation between the parties under the fair and reasonable principle according to the valuation conducted by a third-party professional valuer and the mechanism and procedure provided by the applicable laws and regulations.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Options for Acquisition. When considering whether or not to exercise the Options for Acquisition, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

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Pre-emptive Rights

Each of the Controlling Shareholders has undertaken that, during the term of the restricted period, if it intends to transfer, sell, lease or license or otherwise transfer or permit to use any of the interest in the New Business to a third party, the Controlling Shareholders shall notify us by written notice (“**Selling Notice**”) in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company to make a decision. We shall reply to the Controlling Shareholders within 30 days after receiving the Selling Notice. Each of the Controlling Shareholders has undertaken that until it receives the reply from our Company, it shall not notify any third party of the intention to transfer, sell, lease or license such New Business. If the Company decides not to exercise the pre-emptive rights (“**Pre-emptive Rights**”) or if our Company does not reply to the Controlling Shareholders within the agreed time period, the Controlling Shareholders are entitled to transfer, sell, lease or license the business to a third party pursuant to the terms stipulated in the Selling Notice.

The Controlling Shareholders shall procure their respective associates (excluding our Company and its subsidiaries) to comply with the Pre-emptive Rights.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Pre-emptive Rights. When the Controlling Shareholders and/or their respective associates deliver to us the Selling Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before reverting to the Controlling Shareholders and/or their respective associates within the 30 days period from the date of receiving such Selling Notice. When considering whether or not to exercise the Pre-emptive Rights, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

Exceptions

In the event that the Board or general meeting of Shareholders resolves that it is appropriate for the Controlling Shareholders and/or their respective associates and our Company (and/or its subsidiaries) to jointly invest in, conduct, operate or participate in the business opportunity offered by such third party as mentioned under the paragraph headed “Options for New Business Opportunities” above, and if our Company gives written invitation, the Controlling Shareholders and/or their respective associates may together with our Company (and/or its subsidiaries), jointly invest in, conduct, operate or participate in the business opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and independent Shareholders of the Company and/or other approvals).

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In addition, in any one of the following circumstances, the Controlling Shareholders and/or their respective associates may hold or own business identical with or similar to the Restricted Business, as well as the shares or any other securities of any company (“**Listed Company**”) listed on any stock exchange recognised by the laws of the relevant countries (including a stock exchange recognised by the laws and regulations of the PRC):

- (a) the latest audited financial statements of the Listed Company prepared in accordance with the relevant accounting standards and systems (if the Listed Company has prepared unconsolidated financial statements and consolidated financial statements simultaneously, then such consolidated financial statements) show that the turnover of those business identical with or similar to Restricted Business accounts for no more than 10% of the total consolidated turnover of each of the Company and the Listed Company, or the net assets of such business accounts for no more than 10% of the total consolidated assets of each of the Company and the Listed Company; or
- (b) the total number of the shares held by the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the total issued share capital of such Listed Company, and the Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of such Listed Company, and at any time there should exist at least another shareholder of the Listed Company whose shareholding in such Listed Company is higher than the total number of shares held by the Controlling Shareholders and/or their respective associates in aggregate.

Further Undertaking

Each of the Controlling Shareholders has further undertaken that:

- (a) upon the request of our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review the Controlling Shareholders’ and their respective associates’ (excluding our Company and its subsidiaries) compliance with and enforcement of the Deed of Non-competition;
- (b) it agrees that we disclose the decision made by the independent non-executive Directors related to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and
- (c) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for us to disclose in our annual report.

The Controlling Shareholders have been informed that our Company will also adopt the following procedures to make sure that the undertakings under the Deed of Non-competition are observed by the Controlling Shareholders:

- (a) we will provide to our independent non-executive Directors the Offer Notice and Selling Notice (as the case may be) within seven days of receipt;
- (b) our independent non-executive Directors will report in our announcement or annual report after Listing (a) their findings on the compliance by the Controlling

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Shareholders and/or their respective associates of the Deed of Non-competition and (b) any decision made pursuant to the Offer Notice, Options for Acquisitions and Pre-emptive Rights granted to the Company and the basis of such decision; and

- (c) the Directors consider that the independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise the Pre-emptive Rights. In any event, the independent non-executive Directors may appoint financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the decision on Offer Notice, the exercise or non-exercise of the Options for Acquisitions and Pre-emptive Rights under the Deed of Non-competition.

Indemnity

In the event that any of the Controlling Shareholders is in violation of any undertakings in the Deed of Non-competition, or any representation made under the Deed of Non-competition is untrue, incorrect or misleading, such Controlling Shareholder agrees to indemnify our Company and its subsidiaries for all losses (including but not limited to loss of business) incurred by the same as a result of such violation.

DIRECTORS

Each of our Directors confirms that he or she is not interested in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. Moreover, pursuant to their respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company or any other member of our Group) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of the Controlling Shareholders and its/his respective associates after completion of the Global Offering:

Management independence

Our Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. Mr. Lam Wo Ping, a Controlling Shareholder of our Company, is one of our executive Directors and the chairman of the Board. Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, the Controlling Shareholders of our Company, are non-executive Directors.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. 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 interest. In the event that there is a potential conflict of interest 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

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relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders following the completion of the Global Offering.

Operational independence

We have independent access to sources of supplies or raw materials for the production of our products as well as independent access to our distributors. We have also established a set of internal control procedures to facilitate the effective operation of our business.

In relation to our leasing of premises from Shishi Fuguiniao which is wholly-owned by Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, these lease agreements were entered into on normal commercial terms after arm's length negotiations and the rentals payable by our Group are fair and reasonable and consistent with the prevailing market rates for similar premises in similar locations in the PRC. For further details of such lease agreements, please refer to the section headed "Connected Transactions" of this prospectus. Our Directors are of the view that even if these lease agreements are terminated and the relevant premises are no longer available to our Group, our Group would be able to find suitable premises from third-party lessors in the same districts to satisfy its need for alternative premises for its business operation, with fair and reasonable rentals consistent with the prevailing market rates through arm's length negotiation and without undue delay or inconvenience.

Therefore, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and its/his respective associates. Our Directors confirmed that our Group will not enter into any transactions of similar nature with our connected persons and its/his associates after the Listing that will affect our operational independence.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Directors confirm that all financial assistance, including amounts due to or from, and loans or guarantees provided by our Controlling Shareholders, will be fully repaid or released before the Listing and our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any further borrowing from any of the Controlling Shareholders. Therefore, there is no financial dependence on the Controlling Shareholders.