

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in Note 27 to Section B of the Accountant's Report in Appendix I to this prospectus. Save as described below, these related party transactions have discontinued before the Latest Practicable Date.

CONNECTED PERSON

As at the Latest Practicable Date, Shishi Fuguiniao is owned as to 25% by Mr. Lam Wo Ping, 25% by Mr. Lam Wo Sze, 25% by Mr. Lam Kwok Keung and 25% by Mr. Lam Wing Ho, with all of whom also as its directors. 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.

Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are also Directors and substantial Shareholders of our Company, and therefore are connected persons of our Group. Pursuant to Rule 14A.11(4)(c)(ii) of the Listing Rules, as Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho in aggregation hold the entire equity interest in Shishi Fuguiniao, Shishi Fuguiniao shall be deemed as an associate of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, and therefore, a connected person of our Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Certain members of our Group have entered into certain lease agreements ("**Lease Agreements**") in relation to the following lease transactions (the "**Lease Transactions**") with Shishi Fuguiniao and the Lease Transactions will continue after the Listing Date, thereby constitute continuing connected transactions of our Group under the Listing Rules upon Listing.

No.	Location	Member of our Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
1.	Nos. 217-219, 1st Floor, Fulin Building, Changfu Road, Shishi City, Fujian Province	Fujian Fuguiniao	Shishi Fuguiniao	Term: from 1 July 2013 to 31 December 2015 Rental: 8,000/month	Retail store with a gross floor area of approximately 231.55 square meters
2.	Qianyuan Village, Baogai Town, Shishi City, Fujian Province	Our Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 500,000/month	Office buildings, workshops and dormitories, with a gross floor area of 62,078.87 square meters

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No.	Location	Member of our Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
3.	Baqi Road, Shishi City, Fujian Province	Our Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 750,000/ month	Office facilities, workshops and dormitories, with a gross floor area of approximately 95,579.46 square meters

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the amount of rental paid by our Group in respect of leasing of the above-mentioned properties were approximately RMB5,017,000, RMB5,077,000, RMB60,000 and RMB30,000, respectively. The significant decrease in rental payment for the year ended 31 December 2012 and the six months ended 30 June 2013 was due to the fact that Shishi Fuguiniao transferred the properties located in Qianyuan Village, Baogai Town, Shishi City, Fujian Province (No. 2 in the above table) to our Group in January 2012 for commercial reasons and the lease arrangement of such properties was terminated accordingly in January 2012. As disclosed in the paragraph headed “Production – Relocation plan” under the section headed “Business” in the prospectus, such property had been transferred back to Shishi Fuguiniao in October 2013, and the Lease Agreement in relation to such properties was entered into between the Company and Shishi Fuguiniao on 1 November 2013.

Rental for each of the Lease Agreements was negotiated between our Group and Shishi Fuguiniao with reference to the then prevailing market rates. DTZ Debenham Tie Leung Limited, an independent property valuer, confirmed that the rent payable by our Group under each of the Lease Agreements represents the prevailing market rates for properties of similar quality in neighbouring areas to which the premises are located, and the terms of the Lease Agreements are fair, reasonable and on normal commercial terms.

Having considered that the Lease Agreements have been entered into by our Company with the same party, and are of the same nature, our Directors consider that transactions under the Lease Agreements shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. It is expected that the aggregate annual rental for each of the three financial years ending 31 December 2015 payable by our Group in respect of the leasing of the target properties of the Lease Agreements will not exceed the maximum annual cap of RMB2,578,000, RMB15,096,000 and RMB15,096,000, respectively. The rental payable under the Lease Agreements are payable every six months and were determined after arm’s length negotiations with reference to the prevailing market rates for comparable properties. As one or more of the applicable ratios (other than the profits ratio) for the Lease Agreements (on an aggregated basis) are expected to be more than 0.1% but less than 5% on an annual basis, the Lease Transactions constitute continuing connected transactions of our Company which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

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CONFIRMATIONS

Directors' Confirmation

Our Directors (including our independent non-executive Directors) consider that disclosure of the Lease Transactions in full compliance with the Listing Rules would add unnecessary administrative costs to our Company. In addition, our Directors believe that it is in the interests of our Company to continue with these Lease Transactions after Listing. They also consider that such Lease Transactions are in the interests of our Company and our Shareholders as a whole and are conducted in the ordinary and usual course of our business and on normal commercial terms which are fair and reasonable. Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of all of the Lease Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Sole Sponsor's Confirmation

After review of the relevant documentation and historical figures provided by us, the Sole Sponsor is of the opinion that (i) the terms of the Lease Agreements have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps for the Lease Agreements are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

On the basis of the above, we have applied to the Stock Exchange for and the Stock Exchange has granted to us a conditional waiver from strict compliance with the announcement requirement under Rule 14A.42(3) for the continuing connected transactions, i.e., the Lease Transactions, subject to the Sole Sponsor and the Directors, including the independent non-executive Directors, confirming that in their views:

- (i) the Lease Transactions have been and shall be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (ii) that the annual caps for the Lease Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

If any terms of the Lease Transaction are altered or if our Company enters into any new agreement with any connected persons (within the meaning of the Listing Rules) in the future, our Company will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.