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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme). Except for their respective interests in our Company, the Controlling Shareholders had no interest in any other companies as of the Latest Practicable Date, which (i) held interests in our business during the Track Record Period and ceased to hold such interests after the Corporate Reorganization; or (ii) may, directly or indirectly, compete with our Group's business.

### DISPOSAL OF THINK WISE HOLDINGS AND THINK WISE SHANGHAI BY THE CONTROLLING SHAREHOLDERS

Mr. Ding, one of our Controlling Shareholders, incorporated Think Wise Holdings Limited (華智實業(控股)有限公司, the “**Think Wise Holdings**”), an investment holding company incorporated under the laws of Hong Kong on June 16, 2011. Think Wise Holdings in turn established Think Wise (Shanghai) Apparels Co., Ltd. (華智(上海)服飾有限公司, the “**Think Wise Shanghai**”) in the PRC on November 3, 2011, with registered capital of HK\$50 million. At the time of establishment of Think Wise Holdings and Think Wise Shanghai, Mr. Ding's intention was to use Think Wise Shanghai to develop a distribution business for apparel outside of our Group in Shanghai area. The first installment of the registered capital of Think Wise Shanghai in the amount of HK\$10 million was contributed in December 2011.

However, due to fast development of our Group's business at the relevant time, Mr. Ding became almost fully engaged in the operation and management of our Group and the business development plan of Think Wise Shanghai has never materialized. After the contribution of the first installment of the registered capital to Think Wise Shanghai, no further capital was injected into Think Wise Shanghai.

In June 2013, in connection with our preparation of the proposed Listing, and with a view to avoid any potential competition between Think Wise Shanghai and our Group, Mr. Ding effected the disposal of his entire interests in Think Wise Shanghai by way of transferring the entire issued share capital in Think Wise Holdings to Mr. Shao Keqin (邵克勤), an Independent Third Party. Mr. Ding did not inject Think Wise Shanghai into our Group because from the beginning of 2013 up to the date of the abovementioned disposal, Think Wise Shanghai did not have any significant business activities, thus, Mr. Ding considered that there was no strategic value to inject Think Wise Shanghai into our Group and believed it more beneficial to dispose it and reallocate his financial resources. The total consideration involved was HK\$10 million, which was determined with reference to the then paid-up registered capital of Think Wise Shanghai, and was fully settled in June 2013. Think Wise Shanghai was engaged in the sales of children's apparel products of our Group and other menswear products. Think Wise Shanghai ceased the sales of our products in May 2012 due to Mr. Ding's full engagement in the operation and management of our Group. Our sales to Think Wise Shanghai amounted to nil, nil, RMB5.2 million and nil for each of the three years ended December 31, 2010, 2011 and 2012 and the period from January 1, 2013 up to June 27, 2013, being the completion date of the disposal, respectively. After the disposal and up to the Latest Practicable date, no sales were made by our Group to Think Wise Shanghai. Apart from the sales of our Group's children's apparel products, Think Wise Shanghai did not conduct any business activities that competed directly or indirectly with those of our Group.

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Think Wise Shanghai did not record any revenue or profit for the year ended December 31, 2011 as it was not established until November 2011 and no business activities was conducted by Think Wise Shanghai in the same year. According to the audited financial statements of Think Wise Shanghai for the year ended December 31, 2012, its revenue and net loss amounted to approximately RMB14.8 million and RMB1.2 million, respectively. According to the unaudited financial statements of Think Wise Shanghai, for the period from January 1, 2013 up to June 27, 2013, being the completion date of the abovementioned disposal, its revenue and net loss amounted to approximately RMB87,000 and RMB274,000, respectively.

### NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

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, among other things, 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 above non-competition undertaking does not apply to:

- (a) any interests in the shares of any member of our Group; or
- (b) interests in the shares of a company other than our Group which 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 5% 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 Controlling Shareholders and/or its/his respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or its/his respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholders and its/his respective associates in aggregate.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the 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.

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### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

- (a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Deed of Non-competition and the results of such review will be disclosed in the annual reports of our Company;
- (b) any decision made in respect of the enforcement of the Deed of Non-competition, together with the relevant details and basis, will be disclosed in the annual reports of our Company;
- (c) our Company will disclose the matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company;
- (d) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (e) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

### 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 four executive Directors and three independent non-executive Directors. Mr. Ding, a Controlling Shareholder, is one of our executive Directors and the chairman of the Board.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. 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 duties as a Director and his 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 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

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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.

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 upon 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.