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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately after completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option), AAA Finance, Lidao BVI, Qianbao BVI, Hengxin PTC and Technology Investment HK will be respectively holding 44.693%, 3.000%, 7.301%, 8.009% and 11.998% of our Company's issued share capital. AAA Finance and Lidao BVI are directly wholly owned by Mr. Huang Liping. Accordingly, each of AAA Finance, Lidao BVI and Mr. Huang Liping will be our Controlling Shareholders upon Listing.

### NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Each of our Directors and our Controlling Shareholders has confirmed that, as of the Latest Practicable Date, none of them or any of their respective associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders based on the following reasons:

#### Management Independence

Our Board will be comprised of three executive Directors, two non-executive Directors and three independent non-executive Directors upon Listing.

On the basis of the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Controlling Shareholders:

- (a) our Board comprises eight Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. This is in line with or better than the requirements under the Hong Kong Listing Rules. With over one-third of our Board members are independent non-executive Directors, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;
- (b) our Board is supported by an experienced full time management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a stand-alone basis;
- (c) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, 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;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company 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; and
- (e) connected transactions between our Group and our Controlling Shareholders or their respective associates are subject to the requirements under the Hong Kong Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Controlling Shareholders after Listing.

### **Operational Independence**

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and their respective associates after Listing:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders other than the "Qianbao" trademark, which is set out in more details in the subsection headed "Connected Transactions – Continuing Connected Transactions – Continuing connected transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirements – 1. Trademark License Agreement" in this prospectus. Wuhan Qianbao Property has agreed to transfer the "Qianbao" trademark at a consideration of RMB10,000 to our Group pursuant to a trademark transfer agreement dated August 30, 2013. As of the Latest Practicable Date, application has been made to transfer the "Qianbao" trademark from Wuhan Qianbao Property to the Group. It is expected that such transfer will be completed after Listing;
- (b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (c) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments;
- (d) save for the continuing connected transactions set out in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after Listing; and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (e) none of our Controlling Shareholders and their respective associates has any interest which competes or is likely to compete with the business of our Group. AAA Finance is a holding company and does not carry on any business other than holding the equity interests in our Company.

### Financial Independence

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and we make financial decision according to our own business needs. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, none of the Controlling Shareholders or their respective associates had provided any guarantee to our Group save for the guarantee set forth in note 37 to the Accountants' Report. Our Directors confirm that save for a syndicated loan facility of RMB330,000,000 granted by two banks in the PRC in April 2012 for a term of 13 years at a floating interest rate of 10% above the 5 years RMB loan benchmark interest rate published by the PBOC at the time of drawdown (the "Loan"), which was guaranteed by Mr. Huang Liping and his spouse (the "Guarantee"), all such other guarantee will be released prior to Listing. In respect of the Guarantee, our directors are of the view that it is impractical and not in the best interests of our Company and our Shareholders as a whole to replace the Guarantee or refinancing the Loan for the following reasons:

- The branch of one of the banks granting the Loan, being the handling branch of the Loan and the Guarantee, has confirmed in its letter dated May 15, 2013 that the Guarantee was required for the sole purpose of ensuring that the actual control of Wuhan Optics Valley Union remains unchanged during the loan period, or any such change would not be made without prior written consent from the bank. It was not for the purpose of credit enhancement for the Loan with the assets of Mr. Huang Liping and his spouse.
- Our Group has obtained other loan facilities without any guarantee or other financial support from our Controlling Shareholders. As of the Latest Practicable Date, we have obtained loan facilities in the aggregate amount of approximately RMB3 billion, among which approximately 11.0% comes from the Loan and the remaining comes from loan facilities without any guarantee or other financial support from our Controlling Shareholders. It demonstrates that our Group is able to obtain financing independently without the financial support from our Controlling Shareholders.
- As set out in the subsection headed "Financial Information – Corporate Bond Issuances" in this prospectus, we issued a corporate bond of RMB600 million in October 2013 to, among others, replace our short-term loans. We also intend to issue a short-term corporate bond in an aggregate amount of RMB400 million to fund our general working capital. The National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) has already registered our application to issue the short-term corporate bond in September 2013. As of the Latest Practicable Date, short-term corporate bonds of RMB70 million had been issued to the subscribers. These bonds were/will be issued by us independently without relying on any financial assistance from our Controlling Shareholders. The approval for issuance of these bonds and the subsequent issue of the corporate bonds further demonstrate that we are in a position to obtain financing without any reliance on our Controlling Shareholders.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- In light of the RMB600 million bond and the RMB7.0 million short-term corporate bonds issued and the RMB330 million bond to be issued, we are capable to repay the Loan. We intend to first repay the loan facilities with higher financing costs. Further, a replacement of the Guarantee would require renegotiation of the existing facility agreement. The Loan was granted to Wuhan Optics Valley Union in April 2012 for a term of 13 years for financing the Creative Capital (創意天地) Project. The Creative Capital Project is still in the early stage of development and it is expected that the project will be completed in June 2015. Any renegotiation could affect the repayment terms of the existing loan facility, which would, in turn, adversely affect the normal operation and development of the Creative Capital Project and delay the completion timetable. Further, any renegotiation will impose additional costs on our Group, including manpower and legal costs which would not be beneficial to our operation and our Shareholders as a whole. In addition, if we were to renegotiate the terms of the facility agreement, the new terms may not be as favorable as the Loan.
- If we were to terminate the Guarantee without the lenders' consents, the lenders could cancel the unutilized loan, declare all outstanding loans to be immediately due and require us to immediately repay all outstanding principal, interest on the loan and other sums payable and to pay damages according to the terms of the loan facility. As of the Latest Practicable Date, the loan facility of RMB330,000,000 under the Loan has been completely drawdown. In order to repay the outstanding loan, we would need to refinance the Loan with other loan facilities from another bank, which will impose additional costs on our Group, including manpower and legal costs. In addition, the terms of any new loan facilities may not be as favorable as the Loan.
- We have obtained a letter of intent from a bank in Hubei dated August 28, 2013, which indicated that it intends to provide a loan facility of RMB400 million to the Group to finance the Creative Capital Project which will not require the guarantee from Mr. Huang Liping and will be secured by the assets of the project. Such intention is valid until August 28, 2015. In case we proceed to apply for that RMB400 million loan facility, approval of loan facility will be subject to applicable laws and regulations, relevant state approvals for the Creative Capital Project and the bank's internal procedures.

Based on the above reasons, the Company considers that it is not in the interests of our Group and our Shareholders as a whole and not commercially viable to replace the Guarantee or refinance the Loan as the Company would need to spend a considerable amount of time, effort and costs while the terms of any new facilities would most likely be less favorable compared to that of the Loan. As our Group is able to obtain most of our loan facilities without the guarantee or other financial support from our Controlling Shareholders, our Directors are satisfied that our Group will be financially independent of our Controlling Shareholders and any of their respective associates upon Listing.

Further, during the Track Record Period and as of the Latest Practicable Date, the Group has certain outstanding balances due from/to the associates of our Controlling Shareholders, details of which are set forth in note 37 to the Accountants' Report. Our Directors confirm that

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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all outstanding balances due from/to the associates of our Controlling Shareholders will be fully settled prior to Listing. Save for the Guarantee set out above, there will be no financial assistance, security or guarantee provided by our Controlling Shareholders or their respective associates in favor of our Group or vice versa upon Listing.

### NON-COMPETITION UNDERTAKING

For the purpose of Listing, our Controlling Shareholders (collectively, the “Covenantors” and each, a “Covenantor”) have entered into a deed of non-competition undertakings dated March 14, 2014 in favor of our Company (the “Non-competition Deed”), pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that save for business disclosed in this prospectus, at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his associates (other than members of our Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC and Hong Kong which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the “Restricted Business”).

The above restrictions do not prohibit any of the Covenantors and its/his associates (excluding members of our Group) from holding securities of any company which conducts or is engaged in any Restricted Business, provided that:

- (i) the aggregate number of shares held by the Covenantors and their respective associates (excluding members of our Group) is less than 10% of the issued shares of that class of such company; and
- (ii) such investment or interest does not grant, nor does any of the Covenantors or his/its associates (excluding members of our Group) otherwise hold, any right to control the composition of the board of directors or managers of such Restricted Business nor any right to participate, directly or indirectly, in such Restricted Business.

Under the Non-competition Deed, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (i) the Covenantors shall provide, and shall procure their associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors’ and their associates’ (other than members of our Group) compliance with the Non-competition Deed, and to enable the independent non-executive Directors to enforce the Non-competition Deed;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (ii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-competition Deed;
- (iii) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed, either through our annual report or by way of public announcement;
- (iv) during the Relevant Period (as defined below), in the event that the Covenantors or their associates (excluding members of our Group) are given any business opportunity that is or may directly or indirectly constitute a Restricted Business, the Covenantors shall, and shall procure that their associates, inform us of such opportunity in writing with all information available to them as soon as practicable and shall use its/his best endeavors to assist us in obtaining such business opportunity on the same or more favorable terms;
- (v) in the event that the Board (including all independent non-executive Directors but excluding any Directors with conflicted interests) decides that our Group should not take up such business opportunity as referred to in (iv) above within a commercially reasonable period, the Covenantors and their associates (excluding members of our Group) may take up such business opportunity and the involvement in the business derived from such business opportunity shall not be regarded as a breach of the Non-competition Deed; and
- (vi) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Non-competition Deed by the Covenantors or any of their respective associates.

Our Company will disclose the decisions with basis on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Non-competition Deed either in the annual report of our Company or by way of announcement to the public.

For the purposes of the above, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Hong Kong Listing Rules to constitute a controlling shareholder) of the issued ordinary share capital of our Company; or (ii) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading of the Shares).