
CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into the following lease contracts with Mr. Lu, our chairman, an executive Director and one of our Controlling Shareholders. As Mr. Lu is a connected person of our Company, such transactions will constitute continuing connected transactions for our Company under the Listing Rules upon the Listing.

Continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirements

1. Lease contract relating to Jinzhou Industrial Zone, Humen Town between Mr. Lu and Dongguan NHE

On 1 April 2010, Mr. Lu and the Humen branch of Dongguan NHE (for and on behalf of Dongguan NHE) entered into a lease contract (the “**Humen Lease**”) pursuant to which Mr. Lu leased to Dongguan NHE certain buildings with a gross floor area of approximately 5,835 sq. m. situated at the Jinzhou Industrial Zone, Humen Town (虎門金州工業區), Guangdong Province, the PRC (the “**Humen Buildings**”), for use as a production plant and dormitories for the staff of our Group. The Humen Lease is for a term of 10 years from 1 July 2010 to 30 June 2020 with an annual rental of RMB700,320. Dongguan NHE may terminate the Humen Lease by giving three months prior notice to Mr. Lu.

On 1 January 2014, Mr. Lu and the Humen branch of Dongguan NHE (for and on behalf of Dongguan NHE) entered into a lease contract (the “**New Humen Lease**”) in relation to the Humen Buildings to supersede the Humen Lease. The New Humen Lease is for a term of three years from 1 January 2014 to 31 December 2016 with an annual rental of RMB805,230 for the year 2014. The parties to the New Humen Lease shall negotiate for the rental for the years 2015 and 2016 by reference to the prevailing market rents for similar premises in similar locations in the PRC which shall not exceed RMB980,000 per annum. Dongguan NHE may terminate the New Humen Lease by giving three months prior notice to Mr. Lu.

The rental payable during the term of the New Humen Lease has been determined by reference to the terms and conditions of the New Humen Lease, the historical rental and the prevailing market rate, and is determined on terms no less favourable to our Group than terms available from Independent Third Parties.

For the years ended 31 December 2011, 2012 and 2013, the rental paid by our Group to Mr. Lu relating to the lease of the Humen Buildings amounted to RMB700,320, RMB700,320 and RMB700,320, respectively. The annual caps under the New Humen Lease are RMB805,230 for the year ending 31 December 2014 and RMB980,000 for each of the two years ending 31 December 2015 and 2016, respectively.

2. Lease contract relating to Baihao Industrial Zone, Houjie Town between Mr. Lu and Dongguan NHE

On 1 July 2013, Mr. Lu and Dongguan NHE entered into a lease contract (the “**Baihao Lease**”) pursuant to which Mr. Lu leased to Dongguan NHE certain buildings with a gross floor area of approximately 17,769 sq. m. situated at the Baihao Industrial Zone, Houjie Town (厚街白濠工業區), Guangdong Province, the PRC (the “**Baihao Buildings**”) for use as administration offices, production plants and dormitories for the staff of our Group. The Baihao Lease is for a term of three years from 1 July 2013 to 30 June 2016 with an annual rental of RMB2,132,280. Dongguan NHE may terminate the Baihao Lease by giving three months prior notice to Mr. Lu.

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On 1 January 2014, Mr. Lu and Dongguan NHE entered into two lease contracts (collectively, the “**New Baihao Lease**”) to supersede the Baihao Lease. One of the lease contracts under the New Baihao Lease covered a gross floor area of approximately 10,370 sq. m. among the Baihao Buildings for use as administration offices and production plants with an annual rental of RMB1,306,620, while the other lease contract under the New Baihao Lease covered a gross floor area of approximately 7,000 sq. m. among the Baihao Buildings for use as dormitories for the staff of the Group with an annual rental of RMB882,000. The New Baihao Lease is for a term of three years from 1 January 2014 to 31 December 2016 with an aggregate annual rental of RMB2,188,620 for the year 2014. The parties to the New Baihao Lease shall negotiate for the rental for the years 2015 and 2016 by reference to the prevailing market rents for similar premises in similar locations in the PRC which shall not exceed RMB2,700,000 per annum. Dongguan NHE may terminate the New Baihao Lease by giving three months prior notice to Mr. Lu.

The rental payable during the term of the New Baihao Lease has been determined by reference to the terms and conditions of the New Baihao Lease, the historical rental and the prevailing market rate, and is determined on terms no less favourable to our Group than terms available from Independent Third Parties.

For the years ended 31 December 2011, 2012 and 2013, the rental paid by our Group to Mr. Lu relating to the lease of the Baihao Buildings amounted to RMB2,132,280, RMB2,132,280 and RMB2,132,280, respectively. The annual caps under the New Baihao Lease are RMB2,188,620 for the year ending 31 December 2014 and RMB2,700,000 for each of the two years ending 31 December 2015 and 2016, respectively.

Application for waiver from strict compliance with the Listing Rules

Implications under the Listing Rules

The transactions under the New Humen Lease and New Baihao Lease (collectively the “**Leases**”) are aggregated pursuant to Rules 14A.25 to 14A.27 of the Listing Rules. Based on the respective annual caps for the transactions under the Leases on an aggregated basis, it is expected that each of the percentage ratios for the Leases (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will be less than 5%. Accordingly, the Leases (on an aggregated basis) are subject to the reporting, announcement, annual review requirements but exempt from the independent Shareholders’ approval requirements under Rule 14A.34 of the Listing Rules.

Confirmation from our property valuer

Avista Valuation Advisory Limited, the property valuer of our Company, has reviewed the rental payable pursuant to the Leases and considers that the annual rental under each of the Leases is fair and reasonable and consistent with the then current market rents for similar premises in similar locations in the PRC and the terms of the Leases are on normal commercial basis and the duration of the leases under the Leases are consistent with the prevailing market.

Directors’ confirmation

Our Directors (including our independent non-executive Directors) consider that the continuing connected transactions under the Leases have been entered into in the ordinary and usual course of business of our Group and have been based on arm’s length negotiations and on

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normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed maximum aggregate annual caps of the transactions under the Leases are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange

Given that the transactions under the Leases were entered into prior to the Listing Date and have been disclosed in this prospectus and our potential investors will participate in the Global Offering on the basis of such disclosure, and such transactions are of an ongoing nature after the Listing, our Directors (including our independent non-executive Directors) consider that compliance with the announcement requirement under Chapter 14A of the Listing Rules on each occasion such transactions arise would be impracticable and add unnecessary administrative costs to our Company. Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for, and the Stock Exchange has granted our Company, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the aforesaid continuing connected transactions. Other than the announcement requirements, our Company will comply with all relevant requirements under Chapter 14A of the Listing Rules.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed maximum aggregate annual caps of the transactions under the Leases are fair and reasonable and in the interest of our Company and our Shareholders as a whole.