

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

Immediately after completion of the Global Offering and Capitalization Issue, the Controlling Shareholders will together control the exercise of voting rights of 75% of the Shares eligible to vote in a general meeting of our Company (assuming the Over-allotment Option is not exercised). In addition to their interests in our Company, Mr. Chen and Ms. Wan, two of our Controlling Shareholders and executive Directors, also had an interest in Guangzhou Bawang (the “**Retained Business**”) as of the Latest Practicable Date which held interests in our business and ceased to hold such interests after the Reorganization.

The Retained Business consists of those businesses that are not related to the business of our Group, including property development, hotel and printing businesses.

Our Directors are of the view that there is a clear delineation between the Retained Business and our Group’s business, as a result of which, none of the Retained Business (i) engages in any business relating to our Group’s business; or (ii) would compete, or is expected to compete, directly or indirectly, with our Group’s business. The exclusion of the Retained Business from our Group is in line with our business strategy.

## **NON-COMPETITION UNDERTAKING**

Each of the Controlling Shareholders (together, the “**Non-competing Covenantors**”) entered into a deed of non-competition (the “**Non-competition Deed**”) on 22 May 2009 in favor of our Company, pursuant to which each of the Non-competing Covenantors have jointly and severally undertaken to our Company (for itself and for the benefit of its subsidiaries) that he/she/it would not, and would procure that his/her/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, partnership or other economic or non-economic association, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee, trustee or otherwise) any business in the PRC or elsewhere in the world which is or may be in competition with our business, and any other business which any member of our Group may undertake from time to time after the listing of our Shares (the “**Restricted Business**”). Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third-party any Restricted Business has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third-party, or (ii) terms for our Company to engage in the Restricted Business with the Non-competing Covenantors (or any of them) and/or on their associates, and our Company, after review and approval by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third-party or together with Non-competing Covenantors (or any of them) and/or their associates, provided that the principal terms by which any Non-competing Covenantor (or his or her relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favorable than those disclosed to our Company; or
- (b) having interests in the shares of a company where 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 10% 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 Non-competing Covenantors and/or their respective associates in aggregate does not exceed 5% of the total issued shares of that class of the company in question and such Non-competing Covenantors and/or

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their 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 Non-competing Covenantors and their respective associates in aggregate.

If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Non-competing Covenantors and/or their associates (or any of them, as the case may be), pursuant to (a) above, the Non-competing Covenantors and/or their associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Non-competing Covenantors and/or their associates (or any of them, as the case may be).

The “restricted period” stated in the Non-competition Deed refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Non-competing Covenantor, he/she/it or his/her/its associate holds interest in our Company; and (iii) the relevant Non-competing Covenantors and/or their 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.

None of our Controlling Shareholders or any of our Directors has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our Group’s business.

## CORPORATE GOVERNANCE MEASURES

The Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from the competing business and to safeguard the interests of the Shareholders, including:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Controlling Shareholders under the Non-competition Deed;
- (ii) 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 Non-competition Deed;
- (iii) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the undertaking of the Controlling Shareholders, including decisions reached in respect of first rights of refusal referred to in paragraph (a) under “Non-Competition Undertaking” above under the Non-competition Deed in the annual reports of our Company;
- (iv) the Controlling Shareholders will make an annual confirmation on compliance with their undertaking under the Non-competition Deed in the annual report of our Company;
- (v) we believe that our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgment. Mr. Ngai Wai Fung has extensive experience in serving as an independent non-executive director of listed companies in Hong Kong and extensive experience in the accounting field. With expertise in different professional fields, the Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between our Group and the Controlling Shareholders and their Retained Businesses arise;
- (vi) in the event that potential conflicts of interest may materialize, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with

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an interest in the relevant transaction(s) will not be present at the relevant board meeting, and will be excluded from the board deliberation and abstain from voting and will not be counted towards quorum in respect of the relevant resolution(s) at such board meeting;

- (vii) in the event that potential conflicts of interest may materialize, Fortune Station will abstain from voting in the shareholders' meeting of the Company with respect to the relevant resolution(s); and
- (viii) our Group is administratively independent from the Controlling Shareholders and their Retained Business as we have our own company secretary, authorized representatives and administrative personnel.

## INDEPENDENCE FROM OUR 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 from our Controlling Shareholders and their respective associates after the Global Offering:

### Management Independence

Our Board consists of eight members, comprising of four executive Directors, one non-executive Director and three independent non-executive Directors. Two directorships of our executive Directors are held by Mr. Chen and Ms. Wan, who are our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or 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 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 after the Global Offering.

### Operational Independence

Our organizational structure is made up of individual departments, each with specific areas of responsibility. Our Group has independent access to sources of supplies of raw materials and packaging materials for production and customers. We have also established a set of internal controls to facilitate the effective operation of our business.

We entered into a production and office premises lease agreement with Guangzhou Bawang, pursuant to which we leased a production premises and office premises from Guangzhou Bawang, details of which are set out in the section headed "Connected Transactions" to this prospectus. The production and office premises lease agreement was entered into on normal commercial terms (or on terms more favorable to us) after arms-length negotiations. Jones Lang LaSalle Sallmanns Limited, the independent property valuer of the Group, has reviewed the production and office premises lease agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC. We believe that in the event Guangzhou Bawang ceases to lease any of the properties to us, we would be able to find suitable alternative premises from third-parties in the same district without undue delay or inconvenience.

Our PRC legal advisor has confirmed that the production and office premises lease agreement does not contain any provision that would restrict our ability to rent similar properties from independent third-parties.

We plan to lease new production premises located in Baiyun District, Guangzhou, from Guangzhou Bawang for the purpose of expanding our overall production capacity. We will continue to lease the existing production and office premises from Guangzhou Bawang until all phases of construction of the new production premises have been completed, which is expected to be 2012.

Our Directors consider that we do not rely on the Controlling Shareholders for the leasing of production premises and office premises.

### **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 as of the Latest Practicable Date, save as disclosed in the section headed "Financial Information – Pre-listing Arrangements" in this prospectus, the Controlling Shareholders have not provided any guarantee or loan to our Group. Our Group confirmed that the amount due from/to the Controlling Shareholders as stated in Note 22 of the Accountants' Report set out in Appendix I to this prospectus will be fully settled before Listing. We believe we are capable of obtaining financing from independent third-parties, if necessary, without reliance on Controlling Shareholders. Therefore, our Group is financially independent from our Controlling Shareholders.