
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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). Save as disclosed below and except for their respective interests in Joyork International, Great Dragon, our Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associate had interests in any other companies as of the Latest Practicable Date which include any other companies that (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.

Chen Pei Qi, one of our Controlling Shareholders, holds equity interest in Joyork International, Great Dragon and APAC INTERNATIONAL PTY LTD. as at the Latest Practicable Date. Joyork International and Great Dragon are investment holding companies. APAC INTERNATIONAL PTY LTD, a company incorporated by Mr. Chen Pei Qi in Australia, is engaged in the import and export of textiles, including garments made of cotton and polyester, between China and Australia, which does not constitute any competition against our Group's business as the types of garments imported and exported by APAC INTERNATIONAL PTY LTD are mainly sportswear, casual wear and sleepwear for adults whereas our Group focuses on design, sourcing and marketing of children's apparels. The sales regions of APAC INTERNATIONAL PTY LTD include Australia, New Zealand, South Africa, the United Kingdom and the United States. Save and except for the his equity interests in Joyork International, Great Dragon and APAC INTERNATIONAL PTY LTD., Chen Pei Qi confirmed that he does not hold any equity interest in any other companies.

NON-COMPETE UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders has entered into the Deed of Non-compete in favor of our Company, pursuant to which each of the Controlling Shareholders has undertaken to 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 acquire 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**").

Such non-compete 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 10% of that company's consolidated revenue 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 their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling

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Shareholders and/or 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 Controlling Shareholders and their respective associates in aggregate.

The “restricted period” stated in the Deed of Non-compete 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 Shareholders, it or he or she or its or his or her associate holds an equity interest in our Company and (iii) the relevant Controlling Shareholders 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.

DIRECTORS

Each of the Directors confirms that he or she does not have any competing business with our Group. Moreover, pursuant to their service agreements, executive Directors shall not at any time during his or her term of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company or any other member of our Group) or be engaged concerned or interested directly or indirectly in any other business, trade or occupation.

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 the Shareholders:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by the Controlling Shareholders under the Deed of Non-compete;
- (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 Deed of Non-compete;
- (iii) our Company will disclose decisions on 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-compete in the annual reports of our Company; and
- (iv) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-compete in the annual report of our Company.

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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 of our Controlling Shareholders and their respective associates after the Global Offering:

Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. One directorship of our non-executive Directors is held by Mr. Chen Pei Qi, our Controlling Shareholder.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, 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

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

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. The bank account we hold is independent of the accounts held by our Controlling Shareholders and any of their associated companies. We have our own internal control and accounting systems, accounting and finance department, independent treasury function for receipts and payments, and independent access to third party financing. Therefore, there is no financial dependence on our Controlling Shareholders.

NON-COMPETE UNDERTAKING OF MR. ZHONG

Mr. Zhong has entered into a deed of non-compete (the “**Deed**”) in favor of our Company, pursuant to which he has undertaken to our Company (for itself and for the benefit of its subsidiaries) that he would not, and would procure that his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on,

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participate or be interested or engaged in or acquire 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**”).

Such non-compete 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 10% of that company’s consolidated revenue or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by Mr. Zhong and/or his associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and Mr. Zhong and/or his 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 Mr. Zhong and his associates in aggregate.

The “restricted period” stated in the Deed refers to the period during which (a) the Shares of our Company remain listed on the Stock Exchange; and (b) either (i) Mr. Zhong or his associate holds an equity interest in our Company and Mr. Zhong and/or his associates jointly or severally are entitled to exercise or control the exercise of not less than 5% in aggregate of the voting power at general meetings of our Company; or (ii) Mr. Zhong is a director or a member of senior management of the Company, or of any of its subsidiaries.