

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders, being Pacific Success and Mr. Chan, are interested and deemed to be interested in a total of 60.74% of the issued share capital of the Company upon completion of the Global Offering and the Conversion.

Management Independence

We have our own management team with substantial experience and expertise in the high-end menswear industry, and, save as disclosed in this prospectus, independent from the Controlling Shareholders or their respective associates.

The principal business of Pacific Success is investment holding. Set out below are the private companies or businesses owned by Mr. Chan and their respective business nature:

Name of company or business	Nature of business
Evergreen Trading Company	Footwear trading business and was closed down since 15 September 2004
Pacific Success	Investment holding
Honour Focus (Far East) Development Limited	Has not engaged in any business activity since its incorporation
Marvel Trend Ltd.	Has not engaged in any business activity since its incorporation
New Trend	Previously held the trademarks for our Group but has not engaged in any business activity since all of the Group's trademarks were transferred to Richwood
Mega Power (Asia) Investment Co. Limited	Has not engaged in any business activity since its incorporation
Multi Shine Group Inc.	Has not engaged in any business activity other than investment in Marvel Trend Ltd.
New Asia (China) Limited	Previously engaged in the distribution of golf products but has not engaged in any business activity since 2005

Except as disclosed above, Mr. Chan does not have any other private businesses. None of the above companies or businesses competes with our business.

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The Directors are satisfied that we can manage our business independently of the Controlling Shareholders and their respective associates particularly with respect to the following factors:

(a) *Board structure*

Upon Listing, the Board comprises six Directors, among them three are independent non-executive Directors who have extensive experience in different areas or professionals and were appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

The Directors believe that the presence of Directors from different background provides a balance of opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles of Association and the laws, and no single Director is supposed to make any material decision unless authorized by the Board.

(b) *Disclosure of interest*

According to the Articles of Association, if any Director is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company ("**Interested Director**"), he will declare the nature of his interest to the Board at his earliest convenience.

In addition, such Interested Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving such contract or arrangement or other proposal in which he or any of his associates is to his knowledge materially interested except in certain circumstances as set out in the Articles as summarized in Appendix V to this prospectus.

However, as a matter of good corporate governance practice, an Interested Director shall abstain from attending any Board meeting, or the relevant part of the meeting, at which matter(s) in which he has a material interest is (are) discussed, unless he is specifically requested to attend or to remain in the meeting by the Directors who have no interest in such matter(s).

(c) *Participation in Board meeting and voting therein*

According to the Articles of Association, each Director is entitled to one vote in meetings of the Board and a simple majority is required to approve any business considered therein.

(d) *Participation in general meeting and voting therein*

The Articles of Association do not impose any restriction on Shareholders to attend general meetings of the Company nor to vote on any resolution proposed therein; however, where the Company has knowledge that any Shareholder, under the Listing Rules, is required to abstain from voting on any particular resolution of

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the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Any transaction between us and the Controlling Shareholders shall be governed by Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval.

Pacific Success, as a Shareholder, has the right to attend any general meeting of the Company through its authorized representative. However, it shall not vote on any resolution proposed at a general meeting in approving any contract or arrangement or other proposal in which it or Mr. Chan has any material interest when independent Shareholders' approval is required under Chapter 14A of the Listing Rules.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the Listing, the Board has full rights to make all decisions on, and to carry out, our business operations independently. Although Mr. Chan, being one of the Controlling Shareholders of the Company, is an executive Director, the Company has its own management team, of which most members are independent of the Controlling Shareholders, have served the Company or its subsidiaries for a substantial period of time and have substantial experience in the industry in which the Company is engaged to implement our policies and strategies.

We operate independently from the Controlling Shareholders and their respective associates as (a) we have established our business independent of that of the Controlling Shareholders; and (b) the business nature of each of the Controlling Shareholders is distinct from the nature of our business.

We design, source, manufacture and sell high quality business and casual apparel for men. We have our own design and product development team, and are able to design and offer our customers stylish, high-end designs for all seasons under our *V.E. DELURE* and *TESTANTIN* brands. We have independent access to production materials and other supplies for our own production, and independent access to outsourced manufacturers to outsource our production. None of the Controlling Shareholders is a supplier or intermediary for our supplies, nor is one of our outsourced manufacturers. Our products are sold across an extensive distribution network in the PRC and, save for the Chan Brothers' involvement in our management and operation, in their capacity as Directors, we have independent access to our customers.

We have registered, or are in the process of applying for the registration of, trademarks, which are relevant to our operation, particulars of which are set out under the section headed "Further information about the Company – Intellectual property rights" in Appendix VI to this prospectus.

No services, premises and facilities will be provided to us by the Controlling Shareholders and/or their associates.

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Having considered the above, the Directors are satisfied that our business is independent from the business or investment of the Controlling Shareholders and there is no competition between the parties. As such, the Directors and the Sole Sponsor are satisfied that we can operate independently of the Controlling Shareholders and their respective associates. None of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Financial Independence

During the Track Record Period, Mr. Chan provided guarantees and collaterals in the amount of approximately RMB5.9 million and RMB4.1 million in 2007 and 2008 respectively in favour of the Group. He did not provide any guarantee and collaterals to the Group in 2009. Save as disclosed in this prospectus, his associates did not provide any guarantees and collaterals to the Group during the Track Record Period. During the Track Record Period, Mr. Chan and his associates had not made any loan/advance to the Group. The Directors confirmed that all non-trade balances with Mr. Chan and his associates have been fully settled as at the Latest Practicable Date. For details of guarantees and collaterals provided by related parties for the benefit of the Group, please refer to note 30(c) "Provision of guarantees by related parties" to the Accountants' Report set out in Appendix I to this prospectus.

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. The Directors confirm that as at the Latest Practicable Date, we were not indebted to any of the Controlling Shareholders. Therefore, upon the Listing, there will be no financial dependence on the Controlling Shareholders or any of their respective associates.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of the Controlling Shareholders has entered into the Deed of Non-Competition in favor of the Company (for its own and on behalf of all members of the Group), pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that with effect from the Listing Date and for as long as the Shares remain so listed on the Hong Kong Stock Exchange and he/it, individually or collectively with any other Controlling Shareholder, is, directly or indirectly, interested in 30% or more of the Shares in issue, or is otherwise regarded as a controlling shareholder (as defined under the Listing Rules from time to time) of the Company, each of the Controlling Shareholders shall not, and shall procure that none of his/its associates (for the purpose of the Deed of Non-Competition, shall have the meaning as defined under Rule 1.01 of the Listing Rules, but excluding the Group) ("**Associates**") shall:-

- (a) directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity and any business activities undertaken by us from time to time (the "**Restricted Business**") except for the holding of not more

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than 5% shareholding interests (individually or any of the Controlling Shareholders with their associates collectively) in any listed company in Hong Kong, provided that (i) at all times there is a holder holding (together, where appropriate, with its Associates) a larger percentage of the shares in such listed company than the aggregate shareholding of him/it and/or his/its Associates in such listed company; and (ii) the aggregate number of his/its representative on the board of directors of such listed company is not significantly disproportionate to the percentage of his/its shareholding in such listed company;

- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, solicitation of our customers, suppliers or staff; and
- (c) exploit his/its knowledge or information obtained from the Group to compete, directly or indirectly, with the business carried on by the Group from time to time.

In addition, each of the Controlling Shareholders irrevocably and unconditionally undertakes that if he/it, or his/its Associates, receive enquiries of or any actual or potential business opportunity relating to any of our products and/or services or the Restricted Business (the “**Business Opportunity**”) is made available to him/it or his/its Associate, he/it shall direct or procure the relevant Associate to direct such Business Opportunity to us (and not to any other person) on a timely basis but in any event no later than two weeks from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such required information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant Associate to provide, us with all such assistance to secure such Business Opportunity as the Company or the relevant member of the Group may reasonably require.

The Controlling Shareholders further undertake irrevocably and unconditionally that they shall not pursue and shall procure that none of their relevant Associates shall pursue a Business Opportunity unless we decide not to pursue such Business Opportunity, except for cases where a Controlling Shareholder’s ownership of shares in a listed company is as set out in the exception mentioned in paragraph (a) above. Any decision of the Group as to whether to pursue such Business Opportunity shall have to be approved by the independent non-executive Directors. For the avoidance of doubt, we shall not be required to pay any fees to any of the Controlling Shareholders and/or their relevant Associates in relation to the direction of such Business Opportunity.

Each of the Controlling Shareholders further, irrevocably and unconditionally, undertakes that he/it will provide to the Company all information necessary for the enforcement of the undertakings or covenants in the Deed of Non-Competition.

Each of the Controlling Shareholders also represents and warrants that neither he/it nor any of his/its Controlled Companies is currently carrying on or engaging in, directly or indirectly, any business that competes or may compete with us.

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The Deed of Non-Competition also provides that:

- (i) the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (ii) the Controlling Shareholders shall make declaration(s) on compliance with the Deed of Non-Competition in accordance with the requirements under Appendix 14 (Code on Corporate Governance Practices) and Appendix 23 (Corporate Governance Report) of the Listing Rules; and
- (iii) the Controlling Shareholders shall abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interest.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective Associates, the options, pre-emptive rights or first rights of refusal (if any) provided by the Controlling Shareholders and their respective Associates on their existing or future competing businesses. As and when appropriate, the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertaking (for example, the exercise of options or first rights of refusal) either through the annual report, or by way of announcements to the public.

The Deed of Non-Competition will cease to have effect on a Controlling Shareholder on the earliest of the date on which such Controlling Shareholder, individually or collectively with any other Controlling Shareholder(s) ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as that term is defined from time to time under the Listing Rules) of the Company or the Shares cease to be listed on the Hong Kong Stock Exchange.