

## FINANCIAL INVESTOR

New Horizon is a limited liability partnership incorporated and registered in the Cayman Islands, focusing on equity investments in China. Among other limited partners of New Horizon, the major limited partners of New Horizon include (i) SBI Holdings Inc., an investment company based and listed in Japan, (ii) Glendale Fund Investments Pte. Ltd., an affiliate of Temasek Holdings Pte. Ltd., (iii) Portland Limited, an affiliate of an investment company based in the Middle East, and (iv) Skyland Venture Limited, an affiliate of a holding company specializing in the manufacture and sale of paints and coatings in Singapore, all of which are Independent Third Parties. New Horizon's target industry sectors include advanced manufacturing, new energy, consumer and retail, biotech and healthcare. Admiralfly is a special purpose vehicle set up and wholly owned by New Horizon for the purpose of investing in the Company.

Prior to New Horizon's investment in the Company, New Horizon invested in two other enterprises in the field of consumer retail. The resources of these projects could be used as commercial resources such as referral of attractive store locations for the Group where suitable opportunities arise. While preparing for the Listing, the Company was approached by New Horizon, the Directors believe its investment in the Company would provide benefits to the Group by (a) improving the capital structure of our Group and providing a long-term and stable source of funding to our Group; (b) providing strategic planning support to the Group by leveraging on the investment experience of New Horizon in the PRC consumer retail sector; (c) strengthening corporate governance, management and operations, financial expertise, capital market access, potential merger and acquisition support and business development of our Group through New Horizon's extensive investment experience in both listed and private companies; and (d) reducing the Group's reliance on bank borrowings.

The relevant investments of New Horizon in the two enterprises in the field of consumer retail are:

- (i) an interest of less than 30% in an enterprise which principally engages in the manufacturing, wholesale and retailing of jade accessories, diamonds and inlaid precious stone jewellery;
- (ii) an interest of less than 25% in an enterprise which principally engages in the design and production of various types of athletic footwear and the design and wholesale of other sportswear products or accessories.

The Company confirmed that these two enterprises are not involved in businesses which compete with that of the Group.

## **SUBSCRIPTION AND SP AGREEMENT**

On 29 April 2010, the Company, Pacific Success, Mr. Chan and Admiralfly entered into the Subscription and SP Agreement (as supplemented by the amendment letter dated 25 May 2010) in relation to the Shares Acquisition (as defined below) and the subscription of the Redeemable Convertible Bonds. On 25 May 2010, (i) Admiralfly acquired from Pacific Success 24,977,914 Shares, representing approximately 4.163% of the then issued share capital of the Company and approximately 2.64% of the issued share capital of the Company upon Listing, at a consideration of US\$5,000,000 (equivalent to approximately HK\$38,900,000) (the “**Shares Acquisition**”). The subscription price per Share under the Shares Acquisition was HK\$1.56 per Share representing a 58.9% discount to the lowest range of the Offer Price of HK\$3.80 per Share and a 66.1% discount to the highest range of the Offer Price of HK\$4.60 per Share, and (ii) the Company issued to Admiralfly the Redeemable Convertible Bonds in the aggregate principal amount of US\$25,000,000 (equivalent to approximately HK\$194,500,000) bearing an interest rate of 2% per annum, in each case, pursuant to the Subscription and SP Agreement. The proceeds from the Shares Acquisition of US\$5,000,000 were received by Pacific Success on 25 May 2010, while the proceeds of Redeemable Convertible Bonds were received by the Company on 24 May 2010. Under the Subscription and SP Agreement, if the Conversion does not take place, the Company shall repay to Admiralfly on 31 December 2013 (the “**Maturity Date**”) such principal moneys outstanding under the Redeemable Convertible Bonds together with a premium of 10% per annum on a compound basis.

The Redeemable Convertible Bonds will be automatically converted to Shares in full on the Listing Date. Admiralfly also has the right (the “**Conversion Rights**”) to convert the principal amount into Shares (such Shares, the “**Converted Shares**”) at any time up to and including 4:00 p.m. (Hong Kong time) on the Maturity Date. The conversion price will be approximately HK\$1.77 per Share (the “**Conversion Price**”), and represents approximately a 53.4% discount to the lowest range of the Offer Price of HK\$3.80 per Share and approximately a 61.5% discount to the highest range of the Offer Price of HK\$4.60 per Share.

Under the Subscription and SP Agreement, the Company cannot repay early or prepay any part of the outstanding principal amount or redeem the Redeemable Convertible Bonds prior to the Maturity Date unless agreed by both the Company and Admiralfly. Admiralfly may give notice to the Company to redeem the Redeemable Convertible Bonds at its principal amount together with a premium of 10% per annum on a compound basis, on the face value of the Redeemable Convertible Bonds, if certain events of default as stated in the Redeemable Convertible Bonds occur, and such default has not been rectified to the reasonable satisfaction of Admiralfly within seven Business Days of the notice. According to the Subscription and SP Agreement, such events of default include, among other matters, (a) at any time prior to the Maturity Date and provided that Listing has not taken place, any of the provisions in the Definitive Agreements is violated by any subsidiaries comprising the Group (other than Sunsonic) or Mr. Chan in a material aspect; or (b) any subsidiaries comprising the Group (other than Sunsonic) materially defaults on any of its material obligations in respect of the Redeemable Convertible Bonds; or (c) any subsidiaries comprising the Group (other than Sunsonic), without prior written consent from the holder of the Redeemable Convertible

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Bonds holding 75% or more in the principal amount of the Redeemable Convertible Bonds, engages in or conducts any business which materially differs from the Business and the total investment by the Group in all such businesses other than the Business exceeds 30% of the then net asset value of the Group; or (d) any of the Company or Mr. Chan fails to honour its obligations under the Redeemable Convertible Bonds in a material aspect; or (e) an occurrence of an insolvency event; or (f) cross-default of other borrowed money between the Company and/or any subsidiaries comprising the Group (other than Sunsonic) with third parties; or (g) breach of certain liquidity requirements by the Company; or (h) make, declare or pay any dividend exceeding 20% of the consolidated net profit of the Group without the prior consent of Admiralfly; or (i) consolidated net profits of the Group for the year ending 31 December 2010 is lower than RMB90 million; or (j) any material departure from the use of funds pursuant to the financial covenants undertaken by the Company without approval by bondholders collectively holding 75% or more in the principal amount of the Redeemable Convertible Bonds.

Upon the Listing and conversion of the Redeemable Convertible Bonds, Admiralfly will be allotted and issued 110,021,763 Shares, representing approximately 11.62% of the enlarged issued Share capital immediately following the completion of the Global Offering (based on the number of Shares which are expected to be in issue immediately upon the Listing and assuming that the Over-allotment Option is not exercised).

The Conversion Price will be adjusted in the following circumstances:-

- (i) if and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount; or
- (ii) if there is any reduction of the share capital of the Company or any purchase of the Company's own Shares or any other variation in the issued share capital of the Company before the Maturity Date, corresponding alterations (if any) shall be made to the Conversion Price or the number of Converted Shares to be issued upon exercise of the Conversion Rights, or any combination thereof, as the Company's auditors or the approved merchant bank shall certify in writing to be in their opinion fair and reasonable; or
- (iii) if the Company issues any convertible bonds, rights or any securities convertible into Shares (the "**Convertible Securities**") to any new investor(s) at a price payable on issue and/or conversion which is less than the prevailing Conversion Price before the Maturity Date or the Listing, whichever is earlier, the Conversion Price will be adjusted to the then new conversion price of the Convertible Securities and the number of Converted Shares to be issued upon exercise of the Redeemable Convertible Bonds will be increased accordingly; or

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- (iv) if the Company declares a dividend in assets and/or shares (save as otherwise stated in the Redeemable Convertible Bonds), a corresponding adjustment (if any) shall be made to the Conversion Price or the number of Converted Shares to be issued upon exercise of the Conversion Rights, or any combination thereof, as the Company's auditors or the approved merchant bank shall certify in writing to be in their opinion fair and reasonable; or
- (v) if the Company issues any new Shares to any new investor(s) with a valuation lower than the Conversion Price before the Maturity Date or the Listing, whichever is earlier, the Conversion Price will be adjusted to the then issue price and the number of Converted Shares to be obtained upon exercise of the Redeemable Convertible Bonds will be increased accordingly provided that in any event the number of Converted Shares to which Admiralfly is entitled after the adjustment hereunder shall not be less than the original number of the Converted Shares before such adjustment.

Pursuant to the waiver letter dated 2 August 2010 executed by Admiralfly in favour of the Company, Mr. Chan and Pacific Success (the "**Waiver Letter**"), Admiralfly agreed to waive the rights under circumstances (ii) to (v) mentioned above under the Subscription and SP Agreement with effect from 25 May 2010. Pacific Success however, undertakes, among others, that if the Listing does not take place within six months from the date of the Waiver Letter, Pacific Success shall indemnify and hold Admiralfly harmless from and against any and all losses it may otherwise suffer under circumstances (ii) to (v) above as a result of, based upon or arising from Admiralfly's waiver of any of such rights.

Pursuant to the Subscription and SP Agreement, the following major terms will survive the Listing:

- a. Post closing adjustment mechanism between Pacific Success and Admiralfly (the "**Adjustment**")
  - (i) In the event that the difference between the market capitalization of the Company at the time of the Listing determined by reference to the Offer Price (the "**Market Capitalization**") and the gross proceeds raised by the Global Offering (the "**Capital Raised**") is less than HK\$1,600,000,000, Pacific Success shall transfer to Admiralfly such additional number of Shares (the "**Market Capitalization Adjustment Shares**") calculated in accordance with the following formula on or before the Listing Date:-

$$X = A \times (\text{HK\$}1,600,000,000 - (B - C) / \text{HK\$}1,600,000,000)$$

where X is the number of the Market Capitalization Adjustment Shares;

A is the sum of the total number of (a) number of Shares to be convertible from the Redeemable Convertible Bonds and (b) 24,977,914 Shares;

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B is the Market Capitalization under the Global Offering; and

C is the Capital Raised under the Global Offering.

Based on the proposed offer size, the Adjustment will not be triggered if the difference between Market Capitalization and Capital Raised is not less than HK\$1,600,000,000. In the event that the Adjustment is triggered, pursuant to the Supplemental Agreement entered into on 2 August 2010 by and among the Company, Pacific Success, Mr. Chan and Admiralfly, Pacific Success shall only transfer the Market Capitalization Adjustment Shares to Admiralfly immediately after the expiration of (i) the lock-up period as imposed by the applicable laws and regulations and (ii) the lock-up period as agreed between the Underwriters, the Company and other relevant parties, whichever is longer. The Company thus confirmed that Rule 10.07 of the Listing Rules will be complied with.

- (ii) If (a) the Listing has not occurred on or prior to the delivery by the Company of the audited financial statements for the year ending 31 December 2010 and (b) the audited consolidated net profits of the Group for the year ending 31 December 2010 is less than RMB150,000,000, Pacific Success shall transfer to Admiralfly additional number of Shares (the “**No-IPO Adjustment Shares**”) calculated in accordance with the following formula as soon as practicable after the completion of the audit of the Group’s consolidated financial statements as at, and for the year ending, 31 December 2010:

$$X = (A \times (\text{RMB}150,000,000 / B - 1)) * C$$

where X is the number of the No-IPO Adjustment Shares;

A is percentage of Shares owned by Admiralfly after exercise by Admiralfly of the Conversion Rights ( $A = (a+b)/C$ ,  $a=24,977,914$  Shares,  $b$ =number of Shares to be convertible from the Redeemable Convertible Bonds);

B is the audited consolidated net profits of the Group for the year ending 31 December 2010; provided that (i) the audited consolidated net profits of the Group for the year ending 31 December 2010 is less than RMB90,000,000, B shall be RMB90,000,000 and (ii) in determining the audited consolidated net profits of the Group for the year ending 31 December 2010, any accounting impact resulted from the change in the fair value of the Redeemable Convertible Bonds shall be excluded; and

C is the total number of the aggregate of the outstanding Shares and such Shares as may be issued upon exercising the Conversion Rights under the then outstanding Redeemable Convertible Bonds at the time of calculation.

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- b. The proceeds of Redeemable Convertible Bonds received on 24 May 2010 were required to be applied towards the preparation and expansion of the Business whereby (i) 34% of which will be used for the opening of new self-operated Stores, (ii) 17% of which will be used for the acquisition of existing distributors' Stores, (iii) 23% of which will be used for the strengthening of product lines, (iv) 11% of which will be used for advertising and promotion and the ERP system, and (v) 15% of which shall be used as the working capital for business expansion. Further, no more than 28.2% of the net proceeds of the Redeemable Convertible Bonds may be applied towards the repayment of the existing bank loans if such net proceeds have not been fully utilized towards the preparation and expansion of the Business. The Company had, since the receipt of the proceeds from the Redeemable Convertible Bonds on 25 May 2010 and up to and including 30 September 2010, transmitted HK\$140,000,000 to Evergreen Guangdong as additional registered capital. Out of such HK\$140,000,000, the Company applied (i) approximately RMB40,855,523 as working capital for daily business operations, (ii) approximately RMB35,463,872 for the opening of Stores, including preparation of inventory and decoration and/or other related expenditures, (iii) approximately RMB1,637,856 for advertising and promotions and (iv) RMB48,000,000 for repayment of debt. The Company confirmed that the Group has duly complied with the financial covenants, including the application of the net proceeds, under the Subscription and SP Agreement. The unused net proceeds have been deposited in licensed banks and the Company will apply the unused net proceeds in accordance with the Subscription and SP Agreement.
- c. If Admiralfly has exercised the Conversion Rights and the Listing does not take place on or before the Maturity Date, the Company shall procure that the Converted Shares be acquired on Maturity Date at consideration equal to the aggregate amount of the number of such Converted Shares multiplied by the Conversion Price (the "**Repurchase Price**") together with a premium of 10% per annum on a compound basis of the Repurchase Price.
- d. Admiralfly undertook that it would not, and procure that its ultimate beneficial owner(s) would not, for a period commencing from the Listing Date and ending on the date which is six months from the Listing Date, directly or indirectly, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise transfer or dispose of any Shares acquired pursuant to the Shares Acquisition and the Converted Shares under the Subscription and SP Agreement.
- e. Mr. Chan undertook to the Company and Admiralfly that (i) he would not, save with the prior written consent of Admiralfly and otherwise expressly provided in the Subscription and SP Agreement, sell, transfer, pledge or mortgage any of his direct or indirect interest in Pacific Success; (ii) Pacific Success shall not sell, transfer, pledge or mortgage any of its direct or indirect interest in the Company; and (iii) he and his associates (collectively, the "**Covenantors**") and any companies in which any of the Covenantors has an

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effective equity interest of more than 40% or management control, shall not engage in any activities or businesses that compete directly with the Business or the products manufactured and/or under development by the Group.

A share pledge agreement dated 25 May 2010 (the “**Share Pledge Agreement**”) was entered into by the Company, Admiralfly and Pacific Success whereby, among others, Pacific Success agreed to charge to Admiralfly 142,004,353 Shares (“**Pledged Shares**”) by way of first fixed charge. This share pledge will terminate when all the principal amount of the Redeemable Convertible Bonds are automatically converted upon Listing.

### SECURITYHOLDERS’ AGREEMENT

Pursuant to the Securityholders’ Agreement, the following special terms are given to Admiralfly and will cease upon the Listing:

- a. The right of Admiralfly to nominate, appoint and to remove one director to the Board (“**Investor Director**”) and such Investor Director shall resign on the Listing Date.
- b. For so long as the requirement that Admiralfly holds an interest in the Company, whether in the form of Redeemable Convertible Bonds and/or Shares, representing 20% or more of the total investment amount of US\$30 million (the “**Investor Shareholding Requirement**”), Mr. Chan shall procure one director nominated by Admiralfly be appointed to the board of directors of Evergreen Guangdong.
- c. Subject to the fulfillment of the Investor Shareholding Requirement, each of Pacific Success and Admiralfly has a right of first refusal in the event that Pacific Success or Admiralfly wishes to sell Shares to any third parties.
- d. Subject to the fulfillment of the Investor Shareholding Requirement, Admiralfly has a tag-along right in the event that either Mr. Chan or Pacific Success wishes to dispose of their direct or indirect interests in the Shares (“**Disposing Shareholder**”) to any third parties, resulting in their legal or beneficial, direct and indirect, ownership in the Shares collectively falling below 51% of the issued share capital of the Company, the Disposing Shareholder shall promptly notify Admiralfly of the identity of the relevant third party purchaser(s) in the relevant share transaction. Admiralfly shall be entitled to consider at its sole discretion converting the Redeemable Convertible Bonds and have the right to dispose all of or part of its Converted Shares to such third party on identical terms and timing as the transaction between such third party and the Disposing Shareholder.

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- e. In relation to the disclosure of financial information of the Company, the Company shall provide Admiralfly with periodic management accounts, annual audited accounts and the Company will meet with Admiralfly for quarterly and annual business reviews.
- f. The Securityholders' Agreement will terminate upon Listing, except for the following terms, which will survive such termination:-
  - (i) each of Pacific Success and Admiralfly will comply with any restrictions on the transfer and encumbrance of the Shares and the Shares issued upon Conversion that the Stock Exchange or regulator or the sponsor of the Company under the Listing determines to be necessary or appropriate; and
  - (ii) the confidential obligations which provides that the parties of the Securityholders' Agreement only use the confidential information for the purposes of the Business or to make decisions regarding its investment in the Company and none of the parties of the Securityholders' Agreement shall disclose any confidential information or allow such information to be disclosed to any third party except to officers, employees and consultants or advisors of each party of the Securityholders' Agreement who are required to know (and only to the extent that each is required to know) for the purposes mentioned above.

New Horizon will maintain its role as a financial investor of the Group before and after Listing. Upon Listing, New Horizon will not be entitled to any information rights to the specific information of the Group, that other independent Shareholders do not have. Admiralfly exercised its right to appoint the Investor Director pursuant to the Securityholders' Agreement by appointing Mr. Zou Jianming to the Board in May 2010. As at the Latest Practicable Date, Mr. Zou resigned as a Director.