
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), Chenlin International, which is wholly-owned by Mr. Chi, will be interested in approximately 40.9% of the issued share capital of the Company. Hence, Mr. Chi and Chenlin International will be the Controlling Shareholders within the meaning of the Listing Rules. Save as disclosed in the prospectus, Chenlin International is a shell company held by Mr. Chi with no principal business. It does not have interest in any other companies which may, directly or indirectly, compete with our Group's business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that the Group is capable of carrying on its business independent of the Controlling Shareholders and their associates for the following reasons:

Management independence and operational independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the Listing, the Company has full rights to make all decisions on, and to carry out, its own business operations independently. The Company (through its subsidiaries) holds all relevant licenses necessary to carry on the business, and has sufficient capital, equipment and employees to operate the businesses independently from the Controlling Shareholders.

The Company's management and operational decisions are made by the executive Directors and senior management who have served the Company and/or its subsidiaries for a long time and/or have substantial experience in the industry in which the Company is engaged. Further, the Company's three independent non-executive Directors will bring independent judgment to the decision-making process of the Board.

As of the Latest Practicable Date, the Directors confirmed that they do not have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

There are not any continuing connected transactions between the Group and the Controlling Shareholders or their respective associates which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules (the "Non-exempt Continuing Connected Transactions") upon the completion of the Listing. The Directors do not expect that following the Listing there will be any non-exempt continuing connected transactions between the Group and any of the Controlling Shareholders or their respective associates. Based on the above, the Directors are of the view that the Company is independent of the Controlling Shareholders in terms of management and business operations.

Administrative independence

The Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. The senior management staff is independent of the Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

The Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. The Directors believe that the Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders. As of 30 June 2010, the Group has no outstanding balances due from/to related parties. The Directors confirmed that all other non-trade payable balances with the Controlling Shareholder and other balances with related parties of the Group has been fully settled as at 30 June 2010.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have confirmed that they are neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business (as disclosed in this prospectus) and would require disclosure under Rule 8.10 of the Listing Rules.

On 25 October 2010, the Company entered into the Deed of Non-Competition with each of the Controlling Shareholders. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders irrevocably and unconditionally, jointly and severally, covenants and undertakes with the Company that each of the Controlling Shareholders shall not, and shall procure that none of its/his associates shall, directly or indirectly, establish, invest, involve in, manage, operate or otherwise hold any right or interest, directly or indirectly, in the business of a manufacturer engaging in the design, research and development, manufacture and sale of signal cable assembly, power cord assembly, wire & cable and connector products, and such other business conducted or carried on by the Group from time to time (the "Restricted Business") within Asia and such other places as the Group may conduct or carry on business from time to time (the "Territory").

The non-competition undertakings do not apply to the following:

- (a) having any interests in the shares of any member of our Group; or
- (b) having interests in the shares of a company 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 sales or consolidated assets, as shown in that company's latest audited accounts; and
 - (ii) the total number of the shares held by any of 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 Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company.

The Controlling Shareholders have further undertaken to procure that, during the term of the Deed of Non-Competition, any business investment or other commercial opportunity in the Territory relating to the Restricted Business (the "Business Opportunity") identified by or offered to any of them, is first referred to the Company in the following manner:

- (a) the Controlling Shareholders shall give a written notice to the Company of any Business Opportunity containing all information reasonably necessary for the Company to consider whether (i) such Business Opportunity would constitute competition with the Restricted Business, and (ii) it is in the interest of the Company and the shareholders of the Company as a whole to pursue such

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition costs (the “Offer Notice”).

(b) any of the Controlling Shareholders (the “Offeror”) who has given the Offer Notice will be entitled to pursue the Business Opportunity only if (i) the Offeror has received a notice from the Company declining the Business Opportunity and confirming that such Business Opportunity would not constitute competition with the Restricted Business; or (ii) the Offeror has not received any reply from the Company within 15 Business Days from the Company’s receipt of the Offer Notice and if no independent non-executive Directors has made any request to further extend the decision period within such 15 Business Days to a date mutually agreed between our Company and the Controlling Shareholders, to obtain further information in order to make an informed decision. If there is a material change in the terms and conditions of the Business Opportunity, the Controlling Shareholders shall refer the Business Opportunity as so revised to the Company in the manner as set out above.

Upon receipt of the Offer Notice, the Company will seek opinions and decisions from the Company’s board committee comprising independent non-executive Directors who do not have a material interest in the matter as to whether (i) such Business Opportunity would constitute competition with the Restricted Business, and (ii) it is in the interest of the Company and the Company’s shareholders as a whole to pursue such Business Opportunity.

Any decision on whether to take up the Business Opportunity shall be decided by the independent non-executive Directors. In determining whether or not our Company shall exercise such right of first refusal and pursue such Business Opportunity, the independent non-executive Directors shall take into account the following factors:

- (a) whether the relevant business of our Company in relation to the Business Opportunity has attained a considerable size;
- (b) whether the Business Opportunity will enhance our Company’s profitability and competitive advantages in the core business of the Company;
- (c) whether the Business Opportunity will attain profit within a reasonable period;
- (d) whether the Business Opportunity will be in line with the strategic development of our Company from time to time;
- (e) whether our Company’s funding capability and/or capital expenditure projections would allow the taking up of the Business Opportunity by our Group; and
- (f) whether Shareholders’ value will be maximized by taking up the Business Opportunity.

The independent non-executive Directors may, at the cost of our Company, appoint any professional advisor as they consider necessary to advise them on the terms of any such business opportunity.

The Deed of Non-Competition also provides, amongst other things, that:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders and his/its associates, and the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) the Controlling Shareholders shall allow and shall procure its/his associates to allow the representatives and the auditors of the Company to have access to such of their respective financial and corporate records as may be necessary for the Company to determine whether the non-competition undertakings have been complied with by them and their respective associate;
- (iii) The Controlling Shareholders shall allow and shall procure its/his associates to allow the independent non-executive Directors and auditors of the Company to have access to all information as may be necessary for them to determine the right of first refusal and any referral of Business Opportunity;
- (iv) the Company shall disclose the independent non-executive Directors' decision (with basis) to pursue or decline any opportunity to engage in the Business Opportunity referred by the Controlling Shareholders, and decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by the Controlling Shareholders either in the Company's annual report or by way of announcements to the public; and
- (v) the Controlling Shareholders shall make a statement in our annual report in respect of their compliance and that of their respective associates with the terms of the Deed of Non-Competition and that the Company will disclose the review by the independent non-executive Director on the compliance with, and the enforcement of, the Deed of Non-Competition in the Company's annual report and such disclosure shall be consistent with the principles of making voluntary disclosures in the "Corporate Governance Report" under the Listing Rules.

The Deed of Non-Competition will cease to have effect on (i) the day on which the Shares cease to be listed on the Stock Exchange; (ii) the day on which the Controlling Shareholders and his/its associates in aggregate cease to be entitled to exercise or control the exercise of (directly or indirectly) no less than 30% of the voting power at general meetings of the Company and the relevant Controlling Shareholder cease to be a director of any member of the Group; or (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of the Company.