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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, Mr. Wong and Ms. Ching will be interested in approximately 67.17% of our Company's total issued share capital through The KW Trust and, in addition, Mr. Wong and Ms. Ching will be interested or deemed to be interested in approximately 1.00% of our Company's total issued share capital in Ms. Ching's name (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme). The KW Trust was set up on 1 December 2009 by Mr. Wong as settlor. It is a discretionary trust and the beneficiaries are the family members of Mr. Wong and Ms. Ching. The trustee is Credit Suisse Trust Limited, an Independent Third Party, which is a company incorporated under the laws of Singapore.

### DEED OF NON-COMPETITION

Each of Mr. Wong and Ms. Ching, being our executive Director and Controlling Shareholder, has confirmed that other than their interests in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business. In accordance with the deed of non-competition dated 24 November 2010, each of Mr. Wong and Ms. Ching, and each of Soar Plan, Swan Hills and the Trustee (collectively, the **"Covenantors"**) has undertaken to our Company (for itself and on behalf of its subsidiaries) that during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be listed on the Stock Exchange or other recognised stock exchange; (ii) the day on which the covenantors cease to be the controlling shareholders (as defined in the Listing Rules) of our Company; and (iii) the day on which the covenantors beneficially own or are interested in the entire issued share capital of our Company:

- notwithstanding any provision in any Director's service agreement entered into between the Company and any of its Directors, each of them will not and will procure that none of his/her/its respective associates, spouse and children under the age of 18 and persons to whom each of them provides financial assistance to set up and operate businesses (the **"Controlled Persons"**) or any companies in the equity capital of which each of the covenantors, his/her family interests and/or any trustee interests taken together are interested (directly or indirectly) so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Codes on Takeovers and Mergers and Share Repurchases as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors of such companies (the **"Controlled Companies"**) will, except through his/her/its interests in our Company, whether as principal or agent and whether undertaken directly or indirectly through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of our Group as described in this prospectus and any other business from time to time conducted by any member of our Group or in which any member of our Group is engaged or has invested in, or entered into any of intent or memorandum of understanding to enter into, or which our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture,

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or other contractual or other arrangement), within any of the territories where any member of our Group carries and/or will carry on business from time to time (the “**Restricted Business**”).

- if he/she/it and/or any of his/her/its respective associates, and/or any of the Controlled Persons and/or any of the Controlled Companies is offered or becomes aware of any business opportunity directly or indirectly to engage or become interested in a Restricted Business, he/she/it:
  - (a) shall promptly notify our Company in writing and refer such business opportunity to our Company for consideration and provide such information as may be reasonably required by our Company in order to make an informed assessment of such business opportunity; and
  - (b) shall not and shall procure that his/her/its associates and/or Controlled Persons and/or Controlled Companies shall not, invest or participate in any such project or business opportunity unless such project or business opportunity shall have been rejected by our Company and the principal terms of which each of the covenants or his/her/its associates and/or Controlled Persons and/or Controlled Companies invest(s) or participate(s) are no more favourable than those made available to our Company.

Each of Mr. Wong, Ms. Ching, Soar Plan, Swan Hills and the Trustee undertakes that he/she/it will not and will procure that none of his/her/its respective associates and/or the Controlled Persons and/or the Controlled Companies shall:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as appropriate) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as appropriate);
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person, or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, or solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Each of Mr. Wong, Ms. Ching, Soar Plan, Swan Hills and the Trustee further undertakes jointly and severally, to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of the covenants under the deed of non-competition, including any costs and expenses incurred as a result of such breach.

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The decision-making process in relation to the deed of non-competition will be governed and monitored as follows:

- (a) Our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Director(s) participate in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new business opportunity referred to us under the terms of the deed of non-competition.
- (b) Our independent non-executive Directors may employ an independent financial adviser as they consider necessary to advise them on the terms of any new business opportunity or the options.
- (c) Each of Mr. Wong, Ms. Ching, Soar Plan, Swan Hills and the Trustee undertakes to keep us informed and shall procure his/her/its respective associates, Controlled Persons and Controlled Companies to keep us informed, of new business opportunities and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any new business opportunity.
- (d) Our independent non-executive Directors will also review, on an annual basis, any decisions in relation to new business opportunities referred to us, and state their basis and reasons in our Company's annual report.

In the event that our Company decides not to proceed with any particular projects or business opportunities and that Mr. Wong and Ms. Ching or his/her Controlled Persons and/or Controlled Companies decides to proceed with such a project or business opportunity, we will announce such decision by way of an announcement setting out therein the basis for us not taking the project or the business opportunity.

## INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective associates upon completion of the Global Offering.

### Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Two of our executive Directors, namely, Mr. Wong and Ms. Ching, are also our Controlling Shareholders. Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a director and his/her personal interests.

If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Directors shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

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Since The KW Trust has no business other than holding the shareholding interest in our Company, our Directors do not consider that there is any issue which will arise in relation to our management independence.

Having considered the above factors, our Directors are satisfied that our management team is able to perform their roles in our Company independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

### **Operational Independence**

Although our Controlling Shareholders will retain a controlling interest in our Company after the Global Offering, our Board has full rights to make all decisions on, and to carry out our own business operations independently. Although Mr. Wong and Ms. Ching, being two of our Controlling Shareholders, are also our executive Directors, in addition to the other five Directors (comprising three independent non-executive Directors), we have our own senior management team, who are independent of the Controlling Shareholders and their respective associates and have substantial experience in the industry in which our Company is engaged. As for the ownership of the patents and designs with respect to our Group's business, Shining Union entered into a deed of assignment of patents and patent applications with Mr. Wong on 28 November 2009, pursuant to which Mr. Wong agreed to assign to Shining Union all his patents and patent applications with respect to our Group's business. On the same date, Shining Union also entered into a deed of assignment of designs and design applications, pursuant to which Mr. Wong agreed to assign to Shining Union all his designs and design applications with respect to our Group's business. Therefore, together with the assignment of the respective trademarks and trademark applications from World Fair Hong Kong and Cybertouch to Shining Union, and the assignment of the respective domain names from World Fair Hong Kong and World Fair Heshan to Shining Union on 28 November 2009, our Company, through Shining Union, holds all the patents, trademarks, designs and domain names with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective associates.

Moreover, we have independent access to our customers and suppliers who are third parties independent from and not connected to our Controlling Shareholders. We have adopted a set of internal control procedures to facilitate the effective and independent operation of our business. For instance, we adopted the Purchase Management Procedure on 1 February 2007 which, among others, sets out the selection procedures of our new suppliers. Furthermore, our OEM customers often designate suppliers who are chosen from the approved vendor lists. As such, we are not reliant on our Controlling Shareholders or their respective associates in the procurement of raw materials. For procuring new customers, we have established our own sales and marketing teams which are led by our senior management independent of our Controlling Shareholders and their respective associates and we have our own sourcing, marketing, distribution and customer relationship operations, which are operated independently from our Controlling Shareholders and their respective associates. As such, we do not rely on our Controlling Shareholders or their respective associates for access to customers.

Save for the continuing connected transaction as disclosed in the section headed "Connected transaction" in this prospectus with respect to the residential premises provided to our senior management in Jiangmen, the PRC, we have not entered into any lease agreements or arrangements with our Controlling Shareholders and therefore no reliance will be made on our Controlling Shareholders in leasing properties for our operations. Our Directors currently do not foresee that following completion of the Global Offering, there will be any other business transactions between

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our Group and our Controlling Shareholders and their respective associates and no service and facilities with respect to our operations will be provided by our Controlling Shareholders. Our Company will fully comply with Chapter 14A of the Listing Rules if any connected transactions arise in the future.

### **Financial Independence**

As at the end of the periods within the Track Record Period, the amount of total bank borrowings and finance lease obligations of our Group, which were secured by the assets of and/or guaranteed by Mr. Wong and Ms. Ching, was approximately HK\$76.4 million, HK\$117.0 million, HK\$290.6 million and HK\$311.9 million respectively. The bank borrowings or finance lease obligations that are guaranteed by Mr. Wong and Ms. Ching will be settled prior to the Listing, or if they are to subsist after the Listing, the relevant banks have given in-principle consents to release the above personal guarantees, to be replaced by a corporate guarantee or replacement security given by any member of our Group upon the Listing.

Moreover, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on Mr. Wong and Ms. Ching after the Global Offering. Therefore, there is no financial dependence on Mr. Wong and Ms. Ching.