
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued or sold pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), The Chum's Family Trust will indirectly, through its shareholding (which is held by its trustee on its behalf) in Golden Realm and Able Bright, be interested in approximately 71.5% of the post offering enlarged issued share capital of our Company and hence will continue to be the Controlling Shareholder. Mr. Chum, as founder and settlor of The Chum's Family Trust, will therefore also be deemed to be interested in approximately 71.5% of the Company's total issued share capital through The Chum's Family Trust.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

The Board comprises three executive Directors namely, Mr. Chum, Mrs. Chum and Mr. Desmond Chum and three independent non-executive Directors namely, Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung. Mr. Chum, as settlor of The Chum's Family Trust, is also a Controlling Shareholder of the Company. 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.

The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Since The Chum's Family Trust has no business other than holding the shareholding interests in Able Bright, Golden Realm and our Company, our Directors do not consider that there is any issue which will arise in relation to our management independence.

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The table below sets out the details of the Directors and senior management's positions with the Controlling Shareholders and our Company.

Name	Position in our Company	Position in Able Bright	Position in Golden Realm
<i>Directors</i>			
Mr. Chum	Executive Director	Director	—
Mrs. Chum	Executive Director	—	—
Mr. Desmond Chum	Executive Director	—	—
Mr. Lee Thomas Tuan-Tong	Independent non-executive Director	—	—
Mr. Chow Tsu-Yin	Independent non-executive Director	—	—
Mr. Chan Bing Chung	Independent non-executive Director	—	—
<i>Senior Management</i>			
Ms. Shirley Chum	Sales manager	—	—
Mr. Chan Shiu Yuen Sammy	Chief financial officer and company secretary	—	—
Mr. Liang Han Zhao	Production manager	—	—
Ms. Li Wei Zhen	Administration and human resources manager	—	—
Mr. Li Zhi Yong	Customs declaration and logistic manager	—	—
Mr. Sun Xi Tao	Co-head of sales department for clinical hygienic disposable products	—	—
Mr. Zong Hao	Co-head of sales department of clinical hygienic disposable products	—	—

Mr. Chum is a director of both our Company and Able Bright. Although Mr. Chum holds a position in Able Bright, one of the Controlling Shareholders, Able Bright is only an investment holding company and this position does not require him to be involved in any day-to-day management thereof. Mr. Chum has confirmed that he has dedicated and will continue to dedicate the majority of his time to the management of our Group.

In the event that Mr. Chum is materially interested in a proposed transaction due to the dual directorships held by Mr. Chum in our Company and Able Bright, Mr. Chum will, abstain from voting and will not form the relevant quorum in the relevant Board meetings of our Company for approving such transaction. Such transaction will also require the approval at a Board meeting where independent non-executive Directors who have no (and whose associates have no) material interests therein so as to ensure that the best interests of our Company are being served.

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Save as disclosed above, our Directors confirm that they do not hold any directorships in the Controlling Shareholders.

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Group holds all relevant licences necessary to carry on business and has sufficient capital, equipment and employees to operate the business independently from the Controlling Shareholders.

Save for the continuing connected transaction disclosed in the section headed “Connected Transaction” in this prospectus, the Directors do not expect that there will be any other transactions between our Group on one side and the Controlling Shareholders and/or their respective associates on the other side upon or shortly after the Listing.

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

Operational independence

We also have independent access to our customers including the distributors and end users, which are independent from the Controlling Shareholders and their respective associates. We do not rely on the Controlling Shareholders and their respective associates for accessing to customers.

Our Directors also confirm that our Group has carried out all its essential administrative operations, such as cash and accounting management, invoicing and billing and other financial and management control systems independently from the Controlling Shareholders and their respective associates. We have established our own accounting, financial and treasury departments independent from the Controlling Shareholders and their respective associates.

Financial independence

Our Directors confirm that our Company will be financially independent from the Controlling Shareholders upon Listing. All outstanding loans and non-trade payables owed to and from, and/or outstanding financial guarantees or indemnities provided by the Controlling Shareholders and their respective associates, if any, have been settled before the Listing.

Our Directors believe that our Group will be able to obtain further financing such as bank loans, if necessary, upon market terms and conditions without relying further on financial assistance from the Controlling Shareholders and their respective associates after the Listing.

NON-COMPETITION UNDERTAKING

Mr. Chum, Able Bright, Golden Realm and Sarasin Trust Company (as trustee of The Chum's Family Trust) (the "**Covenantors**") have entered into a Deed of Non-Competition in favour of our Company, pursuant to which the Covenantors have undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that with effect from the commencement of dealings in the Shares on the Stock Exchange, they would not, would procure that none of the persons and companies in their control shall, and would use their best endeavours to procure that none of their associates or associated companies not controlled by them shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected 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 described in this prospectus ("**Restricted Business**").

The Covenantors have further undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, with effect from the commencement of dealings in the Shares on the Stock Exchange, in the event that their and/or any of the persons or companies in their control is offered or becomes aware of any future business opportunity that may directly or indirectly compete with the Restricted Business ("**Competing Business Opportunity**") directly or indirectly to engage or become interested in a Restricted Business, they:

- (i) shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to come to an informed assessment of such Competing Business Opportunity; and
- (ii) shall not and procure the persons or companies in his/its control shall not, invest or participate in any project or Competing Business Opportunity unless such project or Competing Business Opportunity shall have been rejected by our Company and the principal terms on which the Covenantors or the persons or companies in their control invest or participate are no more favourable than those made available to our Company.

The Covenantors have further undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, with effect from the commencement of dealings in the Shares on the Stock Exchange, they shall not and shall procure that none of persons or companies in their control shall:

- (i) 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 applicable) 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 applicable); or

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- (ii) 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
- (iii) alone or jointly with any other person through 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.

The above undertakings do not apply where the Covenantors or their respective associates have interests in the shares of a company that engages in the Restricted Business whose shares are listed on a recognized stock exchange provided that:

- (i) the total number of shares held by the Covenantors and/or their respective associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and the Covenantors and 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 is more than the total number of shares held by the Covenantors and their respective associates in aggregate; and
- (ii) the total number of shares held by the Covenantors and/or their respective associates shall not exceed 30% of the issued share capital of that company.

Furthermore, the Covenantors have undertaken that they will use their best endeavours and will procure their associates (except us) to use their best endeavours to procure that their respective employees and any company under their control, whether individually or jointly, directly or indirectly (except us), to observe the restrictions and undertakings contained in the Deed of Non-Competition.

The Covenantors represented and warranted that, as of the date of the Deed of Non-Competition, apart from the disclosures made in this prospectus, none of the Covenantors or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through our Group or is otherwise engaged in any business which is in competition or material competition to those of our Group.

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Under the Deed of Non-Competition, the Covenantors further undertake to and covenant with our Company that during the period for which the Deed of Non-Competition is in force:

- (i) they shall allow, and shall procure that the relevant associates (excluding us) to allow the independent non-executive Directors to review, at least on an annual basis, the Covenantors that they are in compliance with the Deed of Non-Competition;
- (ii) they shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (iii) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition either through the annual report, or by way of announcement to the public; and
- (iv) they shall provide our Company with a confirmation annually for inclusion by our Company in our annual report, in respect of their compliance with the terms of the Deed of Non-Competition.

The undertakings given by the Covenantors under the Deed of Non-Competition shall lapse and the Covenantors shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- (a) the day on which the Shares cease to be listed on the Stock Exchange or another recognised stock exchange;
- (b) the day on which the relevant Covenantor and/or his/its associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Covenantor ceases to be a Controlling Shareholder of our Company; or
- (c) the day on which the relevant Covenantor beneficially owns or is interested in the entire issued share capital of our Company.

NON-DISPOSAL UNDERTAKINGS

In accordance with Rule 10.07(1)(a) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange that, (i) they will not, during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which they are shown by this prospectus to be the beneficial owner; and (ii) they will not, during the period of six months from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in

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(i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be one of the Controlling Shareholders. Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder from using the Shares beneficially owned by it as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

The Controlling Shareholders have further undertaken to the Stock Exchange, the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Sole Sponsor and us respectively that they will, within a period commencing on the date of this prospectus and ending on a date which is 12 months from the Listing Date, immediately inform the Stock Exchange, the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Sole Sponsor and us in writing of:

- (i) any pledges or charges of any of our Shares or securities of our Company beneficially owned by it, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules and the number of such Shares or securities of our Company so pledged or charged; and
- (ii) any indication received by it, either verbal or written, from any pledgee or chargee of any of our Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.