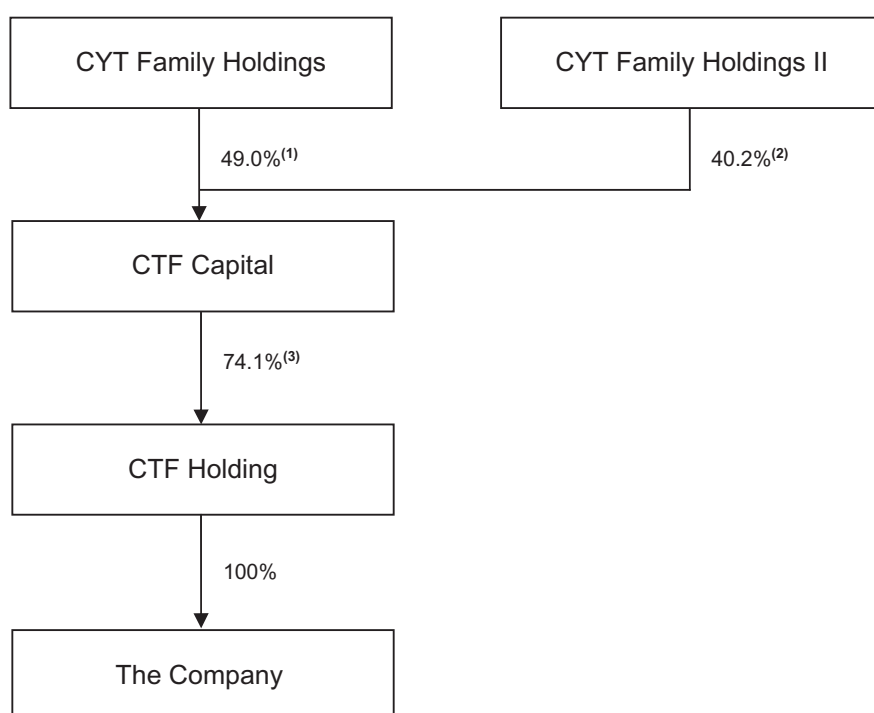

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, CTF Holding, in which CTF Capital holds an approximate 74.1% interest, will hold 8,950,000,000 Shares (representing approximately 89.5% of the enlarged issued share capital of the Company). CYT Family Holdings and CYT Family Holdings II in turn hold approximately 49.0% and 40.2% interest in CTF Capital, respectively. CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding will continue to be the controlling shareholders of the Company after the Listing. Our business will, upon Listing, continue to be independent of, and separate from the business of, our Controlling Shareholders and their associates. See the section headed “Appendix V – Statutory and General Information – Further Information about our Directors and Substantial Shareholders – Disclosure of Interests – Interests of the Substantial Shareholders” for further details regarding the shareholding of the Company.

The shareholding relationships between the Company, CTF Holding, CTF Capital, CYT Family Holdings and CYT Family Holdings II as at the Latest Practicable Date and immediately following the completion of the Global Offering and the Capitalisation Issue are summarised below:

As at the Latest Practicable Date

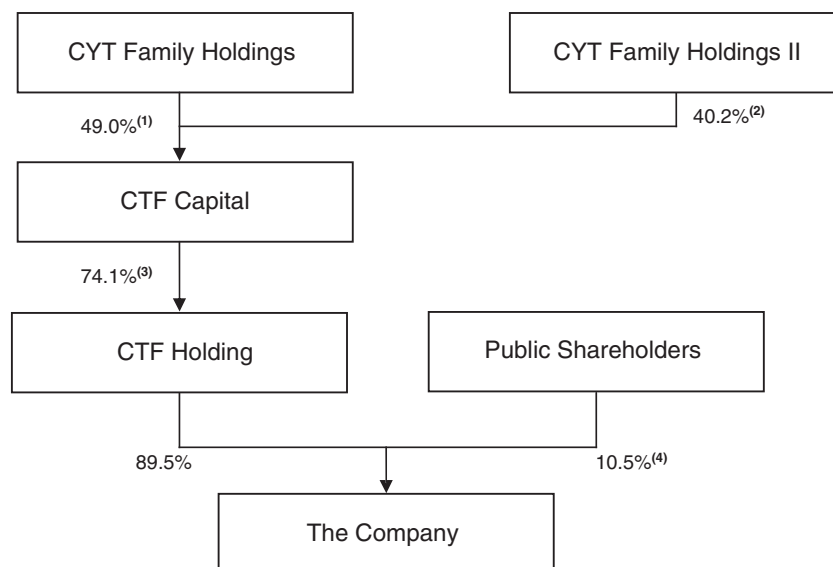


Notes:

- (1) As at the Latest Practicable Date, CYT Family Holdings held 21,000 shares in the issued share capital of CTF Capital, representing approximately 49.0% of the issued share capital of CTF Capital.
- (2) As at the Latest Practicable Date, CYT Family Holdings II held 17,250 shares in the issued share capital of CTF Capital, representing approximately 40.2% of the issued share capital of CTF Capital.
- (3) As at the Latest Practicable Date, CTF Capital held 428,750 shares in the issued share capital of CTF Holding, representing approximately 74.1% of the issued share capital of CTF Holding.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

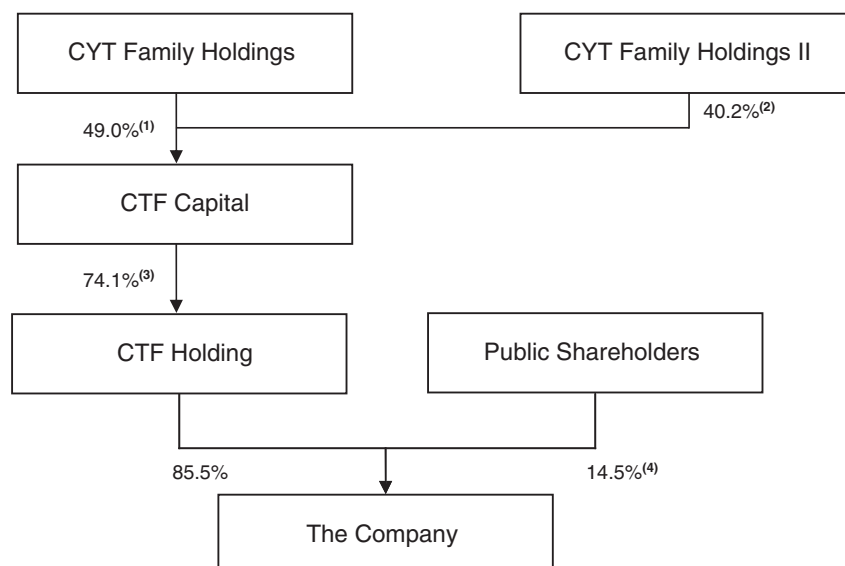
Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)



Notes:

- (1) CYT Family Holdings' shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.
- (2) CYT Family Holdings II's shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.
- (3) CTF Capital's shareholding interest in CTF Holding as at the Latest Practicable Date is shown in the chart above.
- (4) Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed it will exercise, its discretion under the Listing Rules to accept the higher of (a) a minimum public float of at least 10% of the Shares; or (b) the percentage of the Shares held by the public immediately following the completion of the Global Offering and the Capitalisation Issue (as increased by the Shares to be sold upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full)



Notes:

- (1) CYT Family Holdings' shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.
- (2) CYT Family Holdings II's shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.
- (3) CTF Capital's shareholding interest in CTF Holding as at the Latest Practicable Date is shown in the chart above.
- (4) Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed it will exercise, its discretion under the Listing Rules to accept the higher of (a) a minimum public float of at least

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10% of the Shares; or (b) the percentage of the Shares held by the public immediately following the completion of the Global Offering and the Capitalisation Issue (as increased by the Shares to be sold upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

CYT Family Holdings (a private company incorporated in the British Virgin Islands) and CYT Family Holdings II (a private company incorporated in the British Virgin Islands) own approximately 49.0% and 40.2% of the issued share capital of CTF Capital (a private company incorporated in the British Virgin Islands), respectively, which in turn owns approximately 74.1% of CTF Holding (a private company incorporated in the British Virgin Islands). The principal business of each of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding is investment holding. As at the Latest Practicable Date, various indirect subsidiaries of CTF Holding were indirect substantial shareholders of the following companies whose issued shares are listed on the Main Board of the Stock Exchange:

- (i) International Entertainment Corporation (stock code: 1009);
- (ii) Lifestyle International (stock code: 1212);
- (iii) Kwoon Chung Bus Holdings Limited (stock code: 306);
- (iv) New Environmental Energy Holdings Limited (stock code: 3989);
- (v) Newton Resources Limited (stock code: 1231);
- (vi) NWCL (stock code: 917);
- (vii) NWD (stock code: 17);
- (viii) NWDS (stock code: 825); and
- (ix) NWS (stock code: 659).

Our Group has entered into certain connected transactions with some of the companies listed above, which will continue after the Listing. For details of such transactions, see the section headed “Connected Transactions”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Our Board is satisfied that we can operate independently of our Controlling Shareholders and their associates after the Listing on the basis of the following information:

Clear delineation of business

None of our Controlling Shareholders and their associates are engaged in the primary business of production, marketing and sale of jewellery or retail of watches. Given the clear delineation between the business of our Group and the business of our Controlling Shareholders and their associates, our Board believes that our business will continue to be independent as there are no concerns regarding competition between our Group and our Controlling Shareholders and their associates.

Financial independence

Our financial system is independent from that of our Controlling Shareholders and their associates and our Group makes financial decisions according to our own business needs. Our Group’s finance operations are handled by our Financial Management Department, which operates independently from our Controlling Shareholders and their associates, and does not share any other functions or resources with any of our Controlling Shareholders or their associates. The functions of our Financial Department include finance and treasury management.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In support of the working capital needs of our Group, as at 30 September 2011, the CTFE Group had provided loans, which in aggregate amounted to a gross sum of approximately HK\$8.5 billion, to the Group (the “**Related Party’s Loans**”). Details of the Related Party’s Loans are set out in the Accountants’ Report in Appendix I to this prospectus.

To reduce the size of the Related Party’s Loans prior to the Listing, on 16 November 2011, the Company entered into a facility agreement (the “**Facility Agreement**”) with a financial institution (the “**Lender**”) whereby the Lender provided a secured term loan facility (the “**Loan Facility**”) to the Company amounting to an aggregate principal amount of up to approximately HK\$5.1 billion. The term of the Loan Facility is 24 months from the date of the Facility Agreement. The Company intends to use the Loan Facility to repay part of the Related Party’s Loans prior to the Listing.

Under the terms of the Facility Agreement, the provision of the Loan Facility to the Company is subject to CTF Holding and Dr. Cheng Kar-Shun, Henry providing the Lender with a guarantee in respect of the obligations of the Company under the Loan Facility. In addition, CTFE is required to provide the Lender with a share charge (the “**NWD Share Security**”) over certain number of shares of NWD (the “**NWD Shares**”) which it beneficially owns. The guarantee from CTF Holding will be released just prior to, or upon, the Listing. Subject to the terms of the Facility Agreement, it is contemplated that the guarantee from Dr. Cheng Kar-Shun, Henry (the “**Dr. Henry Cheng Guarantee**”) and the NWD Share Security will be released within 12 months after the Listing.

Notwithstanding the arrangements above, our Board believes that our Group is able to operate financially independently of our Controlling Shareholders and the CTFE Group for the following reasons:

- **Strong financial position:** Our Group is a leading jeweller by market share in the PRC as well as in the Hong Kong and Macau jewellery markets with over 80 years of heritage and has been financially sound throughout the Track Record Period. For FY2009, FY2010, FY2011 and 1HFY2012, our Group’s turnover was approximately HK\$18.4 billion, HK\$22.9 billion, HK\$35.0 billion and HK\$23.9 billion, respectively, and our net profit for the same years/periods amounted to approximately HK\$1.9 billion, HK\$2.2 billion, HK\$3.7 billion and HK\$2.8 billion, respectively. As at 30 September 2011, the Group had cash and bank balances of approximately HK\$3.2 billion and available bank and gold revolving facilities of approximately HK\$19.4 billion, of which approximately HK\$14.0 billion was utilised and HK\$5.4 billion is available. The available amount of approximately HK\$5.4 billion can be entirely drawn as cash. Our Group’s operating cash flows before movements in working capital for FY2011 and for 1HFY2012 were approximately HK\$5.6 billion and HK\$4.1 billion, respectively. Notwithstanding the existence of the Dr. Henry Cheng Guarantee and the NWD Share Security after the Listing, the amount of our Group’s available bank and gold revolving facilities is sufficient to cover the outstanding sum under the Loan Facility. Our Group believes that, after considering the available options, it is in the interests of the Company and its shareholders as a whole to maintain maximum future financial flexibility by drawing down the Loan Facility and maintain the security arrangements for a period of 12 months after the Listing rather than utilising our Group’s available bank and gold revolving facilities to repay the entire Related Party’s Loans prior to, or upon, the Listing.
- **Strong credit position:** Besides having a strong financial position and cash generative operation as mentioned above, based on discussions with relevant lending banks, our Group also has a strong credit position on a stand-alone basis. The Group expects to maintain a net cash position after the Listing.
- **A track record of fund raising on a stand-alone basis:** Our Group was able to, and believes that it is able to continue to, secure bank loans from banks and other financial institutions without any credit support or guarantees from CTF Holding and CTFE. Historically, our Group had strong bank support on a stand-alone basis and this is supported by the fact that, as at 30 September 2011, our Group had unsecured bank borrowings of

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

approximately HK\$7.1 billion. Having regard to the fundamentals of our Group, our Company is confident that after the Listing, we will still be able to obtain credit facilities from financial institutions on a stand-alone basis. As such, our Group is satisfied of our capability of carrying on our business financially independently of our Controlling Shareholders and the CTFE Group.

- **Release of security arrangements:** The Dr. Henry Cheng Guarantee and the NWD Share Security will be released in an orderly manner within 12 months after the Listing.

Operational and administrative independence

During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own company secretary, operational personnel and administrative personnel who are not in the employment of our Controlling Shareholders or their associates. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the Listing.

INDEPENDENCE OF BOARD AND MANAGEMENT

The Company has a Board and senior management that function independently from our Controlling Shareholders and their associates. We have 15 Directors on our Board, comprising eight executive Directors, three non-executive Directors and four independent non-executive Directors. There are only two Directors, namely Dato' Dr. Cheng Yu-Tung and Dr. Cheng Kar-Shun, Henry, who are directors of each of CYT Family Holdings, CYT Family Holdings II and CTF Capital. In the case of CTF Holding, four of our Directors, Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng, Conroy, are directors of CTF Holding. Both Dato' Dr. Cheng Yu-Tung and Dr. Cheng Kar-Shun, Henry, in their capacity as Honorary Chairman and Chairman of the Company, respectively, participate in the strategic planning and general management of the Group and not its daily operations. Four of the 15 Directors are independent non-executive Directors, who are independent of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding.

The senior management of the Company comprises 22 persons. Save in respect of Mr. Cheng Yu-Wai, Mr. Cheng Sek-Hung, Timothy, Mr. Ho Pak-Tao and Mr. Wong Kwok-Ting who are directors of CTF Holding, the rest of the senior management are independent of both CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding. Most members of our senior management have, for the entire or substantially the entire of the Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders. Further details of our Board and senior management are set out in the section headed "Directors and Senior Management".

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table shows the directorship and/or employment relationship (if any) that the Directors and the senior management of the Company have with CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding, respectively.

Name	Company	CYT Family Holdings	CYT Family Holdings II	CTF Capital	CTF Holding
Dato' Dr. Cheng Yu-Tung	Honorary Chairman and non-executive Director	Director	Director	Director	Director
Dr. Cheng Kar-Shun, Henry	Chairman and executive Director	Director	Director	Director	Director
Mr. Wong Siu-Kee, Kent	Managing Director	N/A	N/A	N/A	N/A
Mr. Cheng Chi-Kong, Adrian	Executive Director	N/A	N/A	N/A	Director
Mr. Cheng Chi-Heng, Conroy	Executive Director	N/A	N/A	N/A	Director
Mr. Chan Sai-Cheong	Executive Director	N/A	N/A	N/A	N/A
Mr. Chan Hiu-Sang, Albert	Executive Director	N/A	N/A	N/A	N/A
Mr. Cheng Ping-Hei, Hamilton	Executive Director	N/A	N/A	N/A	N/A
Mr. Suen Chi-Keung, Peter	Executive Director	N/A	N/A	N/A	N/A
Mr. Cheng Kam-Biu, Wilson	Non-executive Director	N/A	N/A	N/A	N/A
Mr. Koo Tong-Fat	Non-executive Director	N/A	N/A	N/A	N/A
Dr. Fung Kwok-King, Victor	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Kwong Che-Keung, Gordon	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Lam Kin-Fung, Jeffrey	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Or Ching-Fai, Raymond	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Ho Pak-Tao	Honorary Adviser	N/A	N/A	N/A	Director
Mr. Wong Kwok-Ting	Honorary Adviser	N/A	N/A	N/A	Director
Mr. Cheng Yu-Wai	Honorary Adviser	N/A	N/A	N/A	Director
Mr. Cheng Sek-Hung, Timothy	Honorary Adviser	N/A	N/A	N/A	Director
Other members of the senior management of the Company	Senior management	N/A	N/A	N/A	N/A

Note: N/A means no positions held.

Pursuant to our Articles of Association, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

has become so interested. Our Articles of Association do not require such a Director who is so interested not to attend any meeting of the Board. However, a Director shall not be entitled to vote (nor be counted in the quorum) on a resolution of the Directors in respect of any board resolution approving any contract or arrangement or any proposal in which he or any of his associates is materially interested, except in certain prescribed circumstances, details of which are set out in the section headed “Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law”.

Whether a Director is conflicted on any matter depends on the particular circumstances of the matter under consideration. The fact that a Director also holds directorships in other companies does not create a conflict for that Director unless the matter under consideration involves his personal interests or those of the other companies as well as the Group.

The provisions in our Articles of Association ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice so as to ensure that the best interests of our Company and the Shareholders (including the minority Shareholders) taken as a whole are preserved. Following the Listing, the Board is required to comply with the provisions of the Listing Rules. This includes the review of the connected transactions by the independent non-executive Directors and where appropriate, independent financial advice and independent shareholders’ approval will be required.

On the basis of the aforesaid, our Directors believe that we operate independently of our Controlling Shareholders and their associates and in the best interests of our Company and the Shareholders.