
CONNECTED TRANSACTIONS

Prior to the Listing, we had a number of transactions with entities which would become or be regarded as connected persons of the Company upon Listing under the Listing Rules. To minimise such transactions, the Company has discontinued or will within a specified period of time discontinue those transactions prior to or upon Listing.

Details of these transactions are set out below. Our Directors confirm that they are of the view that these connected transactions were all based on normal commercial terms.

FINANCIAL GUARANTEE BY TIAN AN

During our ordinary course of business, our Group would obtain financing from Independent Third Parties such as banks and/or financial institution. The financing is usually in the form of bank loans. Based on our understanding, it is the business practice for banks and/or financial institution to ask for a corporate financial guarantee from the ultimate shareholders to secure the borrowings. During the Track Record Period, Tian An provided guarantees to secure borrowings of approximately HK\$71.0 million, HK\$62.0 million, HK\$99.6 million and HK\$93.3 million of our Group as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 respectively. The corresponding guarantee fee paid to Tian An amounted to HK\$806,000, HK\$451,000 for the financial years ended 31 December 2008 and 2009 and there were no fees paid for the provision of guarantee for the financial year ended 31 December 2010 and for the six months ended 30 June 2011. The guarantee fee charged by Tian An during the year ended 31 December 2009 was related to guarantee provided to our Group prior to Tian An's acquisition of our Group in 2009. No guarantee fee was charged by Tian An after the acquisition and during the year ended 31 December 2010.

As at the Latest Practicable Date, our Group had obtained consents from current lenders to release all the financial guarantees provided by Tian An, by replacing them with corporate guarantees provided by our Company upon Listing and operating fixed assets of Shandong Wangchao with current market value of not less than RMB55.0 million as additional security.

OTHER FINANCIAL ASSISTANCE TO/FROM CONNECTED PERSONS

Amount due from a fellow subsidiary

Shanghai SAC has provided a loan with principal amount of RMB40.0 million (equivalent to HK\$47.1 million) to Tian An Shanghai, a wholly-owned subsidiary of Tian An during the year ended 31 December 2010. The balance was unsecured, carried interest at 4% per annum and is repayable on 25 November 2012. The outstanding balance due from Tian An Shanghai was RMB40.2 million (equivalent to HK\$47.3 million) and RMB40.0 million (equivalent to HK\$48.2 million) as at 31 December 2010 and 30 June 2011 respectively and the interest income attributable to this loan was approximately HK\$189,000 for the year ended 31 December 2010 and approximately HK\$969,000 for the six months ended 30 June 2011.

CONNECTED TRANSACTIONS

Our PRC legal advisers noted that Shanghai SAC was in breach of General Rule on Lending (貸款通則) for granting of financial assistance to Tian An Shanghai, which is a company incorporated in the PRC. Interest income earned by way of financial assistance is subject to confiscation and the Group will be subject to a maximum fine up to 5 times of the interest income as imposed by The People's Bank of China (中國人民銀行). The contract in respect of the financial assistance will be held invalid. Tian An Shanghai has settled all loan to Shanghai SAC on 29 July 2011. The total interest income earned by the Group amounted to approximately RMB1.1 million (equivalent to approximately HK\$1.2 million) and the maximum fine the Group will be approximately RMB5.5 million (equivalent to approximately HK\$6.6 million). The Controlling Shareholders have executed a deed of indemnity in favour of our Group against any liabilities arising in this connection. For further details, please refer to the section headed "Statutory and general information — Other Information — 1. Estate duty, tax and other indemnity" in this prospectus. Our Group will not enter into any further loan arrangement with any other company in breach of General Rule on Lending.

Amount due to ultimate holding company

During the Track Record Period, SAC Holdings was indebted to Tian An in the amount of HK\$1.8 million, HK\$1.8 million and HK\$1.8 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively, arising from accumulated guarantee fees charged by Tian An with respect to the guarantees provided by Tian An to our Group to secure financing from banks and/or financial institutions prior to Tian An's acquisition of our Group in 2009. The balance were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Tian An amounted to approximately HK\$1.8 million, HK\$1.8 million and HK\$1.8 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. As at the Latest Practicable Date, the remaining outstanding balance due to Tian An was approximately HK\$1.8 million, which will be repaid by the net proceeds from the Share Offer upon the Listing.

Amount due to immediate holding company

During the Track Record Period, SAC Holdings has been indebted to Sunwealth in the amount of HK\$278.5 million since 16 September 2009 as a result of an assignment of a shareholder's loan from ChinaVision Media to Sunwealth pursuant to an agreement for sale and purchase relating to the entire issued share capital of SAC Holdings entered into among ChinaVision Media, Sunwealth and Tian An on 21 May 2009. Further with the subsequent borrowings from Sunwealth for interest payment and principal repayment of bank loans made by SAC Holdings in Hong Kong, SAC Holdings has been indebted to Sunwealth in the approximate amount of HK\$292.1 million as at 31 December 2010. As part of the Reorganisation, Sunwealth transferred all its interests in the shares of SAC Holdings to Splendid Link on 31 December 2010 without assigning the outstanding shareholder's to Splendid Link and hence SAC Holdings remained to be indebted to Sunwealth.

Besides, during the Track Record Period, Splendid Link has also been indebted to Sunwealth in the approximate amount of HK\$50.0 million as at 31 December 2010 as a result of the acquisition of SAC Holdings conducted by Splendid Link on the same day. The balance of both amount due to Sunwealth were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Sunwealth amounted to HK\$284.7 million, HK\$342.1 million and HK\$353.5 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. On 20 December 2011, the outstanding balance of an aggregate of HK\$227.3 million was assigned to our Company for the consideration of

CONNECTED TRANSACTIONS

HK\$142,292,167 which was satisfied by the issue and allotment of 142,282,167 Shares as part of the Reorganisation (Please refer to “Corporate reorganisation and group structure” section for details). As at the Latest Practicable Date, the remaining outstanding balance due to Sunwealth was approximately HK\$128.2 million, which will be repaid upon the Listing.

Amount due to a fellow subsidiary

During the Track Record Period, Shanghai SAC has obtained a loan from Tian An Shanghai to finance our operations in the PRC. The balance were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Tian An Shanghai amounted to HK\$13.3 million, HK\$13.8 million and HK\$14.1 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. On 28 July 2011, the entire outstanding balance of HK\$14.1 million was repaid by our Group.

Amount due to minority shareholder

AII-Shanghai had outstanding balance due to Aso Corporation, a minority shareholder which own 16.67% of the issued share capital of AII-Shanghai, amounting to HK\$0.3 million, HK\$3.2 million and HK\$3.2 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. The balances were mainly attributable to the dividend payable and management fee payable as at the respective year end and were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Aso Corporation of approximately HK\$3.2 million referred to the dividend payable and management fee payable by AII-Shanghai and is expected to be settled with Aso Corporation within six months after the Listing as time is needed pending confirmation by the PRC tax authority that AII-Shanghai be recognised as a Hong Kong tax resident. Such recognition will reduce the withholding tax rate payable by AII-Shanghai on repatriation of dividend from 10% to 5% as stipulated under the double tax arrangement between Hong Kong and the PRC. The Directors expect such confirmation can be obtained within six months after the Listing.

LEASING AGREEMENT WITH SHANGHAI CEMENT FACTORY

On 16 December 1995, a leasing agreement was entered into between Shanghai SAC and Shanghai Cement Factory, a minority shareholder which held a 40% equity interest in Shanghai SAC and therefore a connected person to the Company. According to the leasing agreement, Shanghai SAC should pay to Shanghai Cement Factory an annual leasing fee which consisted of (1) a fixed asset leasing fee mainly based on the depreciation of the property, plant and equipment leased under the leasing agreement plus a mark-up of about 10%; and (2) an usage fee mainly based on the volume of raw materials off-load and the applicable unit rate for the relevant raw materials agreed by the parties when the leasing agreement was signed. The underlying assets are also used by Shanghai Cement Factory. Shanghai SAC paid a total leasing fee of HK\$6.7 million, HK\$6.1 million, HK\$57,000, HK\$7,000 (unaudited) and nil to Shanghai Cement Factory during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

The outstanding balance due to Shanghai Cement Factory in relation to the above leasing agreement amounted to HK\$5.3 million, HK\$4.5 million, HK\$1.9 million and nil as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 respectively. The balance were unsecured, non-interest bearing and are repayable on demand. As a result of the Premises Vacation in late 2009, the leasing arrangement was no longer carried out since early 2010. The remaining outstanding balance due to Shanghai Cement Factory were subsequently repaid by Shanghai SAC in July 2011. As at the Latest Practicable Date, there was no outstanding balance due to Shanghai Cement Factory.

CONNECTED TRANSACTIONS

UNDERWRITING AGREEMENT WITH SUN HUNG KAI INVESTMENT SERVICES LIMITED

On 29 December 2011, the Underwriting Agreement was entered into among our Company, executive Directors, the Controlling Shareholders and the Underwriter, pursuant to which the Underwriter has agreed to underwrite for an aggregate of 165,000,000 Offer Shares in consideration of an underwriting commission of 2.5% per Offer Share. The maximum amount of the underwriting commission shall be HK\$4,125,000. The Underwriter is an indirect wholly-owned subsidiary of Sun Hung Kai & Co. Limited, whose shares are listed on the Main Board and were owned as to approximately 53.37% by Allied Properties as at the Latest Practicable Date. Since Allied Properties is a substantial shareholder (as defined in the Listing Rules) of our Company through its interests in its subsidiaries, each of Allied Properties and its associates (as defined in the Listing Rules) will become a connected person of our Company upon Listing. As the Underwriter will become a connected person of our Company upon Listing and the Underwriting Agreement was entered into on 29 December 2011, the entering into of the Underwriting Agreement will not constitute a connected transaction for our Company itself but will constitute a connected transaction for Tian An. For further details of the Underwriting, please refer to the section headed “Underwriting” in this prospectus.

The transaction contemplated under the Underwriting Agreement is one-off in nature and our Directors are of the view that the above transaction was entered into on normal commercial terms and the consideration of which was agreed after arm’s length negotiation with reference to the prevailing market prices of similar transactions with the Independent Third Parties.

Save for the above, our Directors confirm that our Group did not enter into any other connected transactions with any connected persons upon Listing which will be subject to reporting, announcement and/or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, our Directors confirm that all aforementioned connected transactions have been settled and/or terminated and our Group has no intention to enter into any transaction with connected persons as defined under the Listing Rules. Notwithstanding, the Company will comply with the Listing Rules and make announcement and seek its independent Shareholders’ approval, where applicable, should any transaction with our connected person fall within the scope as prescribed by Rule 14A of the Listing Rules in the future.