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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue, the Controlling Shareholders will control the exercise of voting rights of 75% of the Shares eligible to vote in general meetings of our Company (assuming the Over-allotment Option is not exercised and no option to be granted under the Share Option Scheme is exercised).

Our Directors have confirmed that to the best of their knowledge, information and belief, neither our Controlling Shareholders nor our Directors have any interest in businesses which may directly or indirectly compete against the businesses of our Company.

### NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company (and its subsidiaries), pursuant to which each of the Controlling Shareholders has undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his respective associates (other than any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the “Restricted Business”).

Such non-compete undertaking does not apply to:

- (a) any interests in the shares of any member of our Group; or
- (b) interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:
  - (i) any Restricted Business conducted or engaged in by such company (or the net asset value relating thereto) accounts for no more than 10% of that company’s total consolidated turnover or total consolidated assets, as shown in that company’s latest audited accounts; or
  - (ii) the total number of the shares held by the relevant Controlling Shareholder and/or its/his associates in aggregate does not exceed 5% of the issued shares of that class of that company in question and such Controlling Shareholder and/or its/his 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 shareholding in that company should be higher than the total number of shares held by such Controlling Shareholder and/or its/his associates in aggregate; or
  - (iii) the relevant Controlling Shareholder and/or its/his associates do not have control over the board of directors of such company.

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The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) the relevant Controlling Shareholder or any of its/his associate still holds directly or indirectly an equity interest in our Company; and (iii) the Controlling Shareholders and/or their respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of shareholders of our Company.

### DIRECTORS

Each of our Directors confirms that he or she does not have any competing business with our Group. Moreover, pursuant to their service agreements, executive Directors shall not at any time during their term of service with our Group, without the prior written consent of the Board, be or become a director of any company (other than our Company or any other member of our Group) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

- (a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;
- (b) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and
- (d) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

#### *Management independence*

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Sze Tin Yau, a Controlling Shareholder, is one of our executive Directors and the chairman of the Board. Mr. Wu Jinbiao, a Controlling Shareholder, is one of our executive Directors and the president of our Company.

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Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following completion of the Global Offering.

### ***Operational independence***

We have independent access to sources of supplies or raw materials for the production of our polyester filament yarns, as well as independent access to our distributors and other customers. We have also established a set of internal control procedures to facilitate the effective operation of our business. Our Group has our own registered trademarks for which we are able to utilize in marketing our polyester filament yarns.

In addition, our Directors consider that our operations do not depend on our Controlling Shareholders for the following reasons:

- (i) there is no competing business between our Group and any of our Controlling Shareholders;
- (ii) we are not relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have we been given any guarantee for the benefit of any of our Controlling Shareholders.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and their respective associates. Our Group, our Controlling Shareholders and their associates did not have any common or shared facilities or resources during the Track Record Period and through the Latest Practicable Date.

### ***Financial independence***

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

Our Directors confirm that as of the Latest Practicable Date, our Group had no financial assistance and guarantee to and from our Controlling Shareholders. Therefore, there is no financial dependence on our Controlling Shareholders.