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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### OVERVIEW

The Directors confirm that, immediately following the completion of the Share Offer and the Capitalisation Issue, but without taking into account any Shares falling to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the following persons are the Controlling Shareholders:

<u>Name</u>	<u>Capacity and nature of interests</u>	<u>Number of Shares held</u> <i>(Note 1)</i>	<u>Approximate percentage of shareholding</u>
IAM <i>(Note 2)</i>	Beneficial owner	104,000,000 (L)	25%
Mr. Yam <i>(Note 2)</i>	Interest of controlled corporation	104,000,000 (L)	25%
	Deemed interest as spouse	104,000,000 (L)	25%
Ever Rosy <i>(Note 3)</i>	Beneficial owner	104,000,000 (L)	25%
Madam Wong	Interest of controlled corporation	104,000,000 (L)	25%
<i>(Note 3)</i>	Deemed interest as spouse	104,000,000 (L)	25%
Premier Wise <i>(Note 4)</i>	Beneficial owner	104,000,000 (L)	25%
Mr. Wong <i>(Note 4)</i>	Interest of controlled corporation	104,000,000 (L)	25%

*Notes:*

- (1) The letter “L” denotes a long position in the Shareholder’s interest in the share capital of the Company.
- (2) IAM, a company incorporated in BVI on 15 February 1996 and an investment holding company, is wholly and beneficially owned by Mr. Yam. Mr. Yam is deemed to be interested in the 104,000,000 Shares held by IAM under the SFO. As Mr. Yam is the spouse of Madam Wong, he is also deemed to be interested in the Shares held by Ever Rosy, a company wholly owned by Madam Wong.
- (3) Ever Rosy, a company incorporated in BVI on 26 November 2010 and an investment holding company, is wholly and beneficially owned by Madam Wong. Madam Wong is deemed to be interested in the 104,000,000 Shares held by Ever Rosy under the SFO. As Madam Wong is the spouse of Mr. Yam, she is also deemed to be interested in the Shares held by IAM, a company wholly owned by Mr. Yam.
- (4) Premier Wise, a company incorporated in BVI on 26 November 2010 and an investment holding company, is wholly and beneficially owned by Mr. Wong. Mr. Wong is deemed to be interested in the 104,000,000 Shares held by Premier Wise under the SFO.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that the Group is capable of carrying on the Group’s business independently from the Controlling Shareholders and their associates after the Share Offer.

#### Management and administrative independence

The Board consists of six Directors, of whom three are executive Directors and the remaining three are independent non-executive Directors. Each of the Directors is aware of his/her fiduciary duties as a Director of the Company which requires, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a director and

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his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the Company has a senior management team to make the business decisions independently. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Most members of the senior management of the Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of the Group. The responsibilities of the senior management team of the Group include dealing with operational financial research and inventory management matters, making general capital expenditure decisions and the daily implementation of the business strategy of the Group. This ensures the independence of the daily management and operations of the Group. Further details are set out in the section headed “Directors and Senior Management” in this prospectus.

### **Clear delineation of businesses**

IAM, Ever Rosy and Premier Wise, all being Controlling Shareholders, were incorporated under the laws of BVI and are investment holding companies. As such, the Directors are of the view that the nature of the business activities carried on by the Group on the one hand, and those carried on by IAM, Ever Rosy and Premier Wise respectively on the other, are clearly distinct and that there is a clear delineation between the business of the Group and the business of IAM, Ever Rosy and Premier Wise respectively.

### **Financial independence**

The Company has an independent financial system and makes financial decisions according to the Group’s own business needs. The Directors confirm that any guarantee, loan or pledge provided by the Controlling Shareholders in favour of the Group will be released or settled, as the case may be, before the Listing. As at the Latest Practicable Date, there was no guarantee, loan or pledge provided to the Controlling Shareholders. The Directors believe that the Company is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on the Controlling Shareholders after the Listing. Therefore, the Group will be financially independent from the Controlling Shareholders after the Listing.

Having considered the above reasons, the Directors are of the view that the Company is capable of carrying on its own business independently from the Controlling Shareholders (including any associate thereof) after the Listing.

### **Operational independence**

Although Mr. Yam, Madam Wong and Mr. Wong, each an executive Director, is the controlling shareholder of IAM, Ever Rosy and Premier Wise respectively, the Group has its own management team that operates independently from each of IAM, Ever Rosy and Premier Wise. In particular, the Group has independent access to sources of supplies or raw materials for the production of the Group’s products, as well as independent access to the Group’s customers.

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The Directors consider that the Group's operations do not depend on the Controlling Shareholders because (i) there is no competing business between the Group and any of the Controlling Shareholders and (ii) the Group will not be relying on any guarantee provided by any of the Controlling Shareholders in respect of bank borrowings nor have the Group been given any guarantee for the benefit of any of the Controlling Shareholders upon Listing.

On the basis of the matters disclosed in this section, the Directors believe that the Group is capable of carrying on its business independently of the Controlling Shareholders and their respective associates. The Group, the Controlling Shareholders and their associates did not have any common or shared facilities or resources during the Track Record Period and up to the Latest Practicable Date.

### DEED OF NON-COMPETITION

Subject to the terms therein, the Controlling Shareholders as covenantors entered into a deed of non-competition in favour of the Company dated 11 October 2011 (the "Deed of non-competition"), pursuant to which each of the Controlling Shareholders has undertaken to the Company (for itself and for the benefit of its subsidiaries) that effective upon Listing, it/he/she will not, and will procure that its/his/her associates will not (a) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Group's business in Hong Kong and any other country or jurisdiction to which the Group provides its services and/or in which any member of the Group carries on business mentioned above from time to time (the "Restricted Activity") or (b) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in the Group any person, firm, company or organisation who to its/his/her knowledge is now or has been a client, supplier or employee of any member in the Group.

Each of the Controlling Shareholders has also undertaken that (a) it/he/she will promptly provide the Company, in writing with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of the Group which it/he/she or its/his/her associates may have knowledge for the Company to assess such new business opportunity, (b) it/he/she will, and will procure its/his/her associates with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of the Group to participate in the relevant Restricted Activity, (c) it/he/she will provide all information reasonably required or necessary to the Company for the enforcement of the Deed of non-competition and (d) it/he/she will make an annual declaration in favour of the Company on whether it/he/she has fully complied with its/his/her obligations under the Deed of non-competition, for inclusion in the annual reports of the Company in the manner consistent with the principles of making voluntary disclosures in the section headed "Corporate governance report" of the annual reports prepared in accordance with the requirements of the Listing Rules from time to time.

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The Deed of non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing. The obligations of the Controlling Shareholders under the Deed of non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Main Board; or
- (b) the Controlling Shareholders and their respective associates and/or successors, individually and/or collectively, cease to own 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as controlling shareholder of the Company (within the meaning defined in the Listing Rules from time to time),

whichever occurs first.

Each of the Controlling Shareholders also represented and warranted to the Company in the Deed of non-competition that neither of it/he/she nor any of its/his/her associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Activity otherwise than through the Group.

As the Controlling Shareholders have given non-competition undertakings in favour of the Company, and none of them have interests in other businesses that compete or are likely to compete with the business of the Group, the Directors are of the view that they are capable of carrying on the Group's business independently of the Controlling Shareholders following the Listing.

None of the Controlling Shareholders and the Directors has interests in any business which competes or is likely to compete with the business of the Company.

### NON-DISPOSAL UNDERTAKINGS

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing from 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, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing from the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances the Controlling Shareholders would, either individually or taken together with the others, cease to be a Controlling Shareholder.

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Each of the Controlling Shareholders has also undertaken to the Company and the Stock Exchange that, within a period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform the Company of such pledge/charge together with the number of Shares so pledged/charged; and
- (ii) when he/she/it receives any indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

The Company must inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 13.17 of the Listing Rules.

### CORPORATE GOVERNANCE MEASURES

The Company has adopted the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. The Company will state in its interim and annual report whether it has complied with the Code, and will provide details of, and reasons for, any deviations from it in the Corporate Governance Report which will be included in its annual report. The Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules which provides, among other matters, prohibitions on directors’ dealings in securities and protection of minority shareholders’ rights. The Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between the Group and the Controlling Shareholders, and to protect minority shareholders’ rights after the Listing.

Furthermore, following the Listing, the Directors will be required to comply with provisions under the Listing Rules and certain matters are required to be reviewed by the independent non-executive Directors. The Directors are of the view that the significant proportion of independent non-executive Directors comprising the Board should enhance the Company’s overall corporate governance standards.

In addition to the safeguards mentioned above, an annual review will be performed by the independent non-executive Directors with regard to the information provided by the Controlling Shareholders (the “Annual Review”). After the Annual Review, the independent non-executive Directors will decide whether to exercise the Company’s rights in respect of the compliance and enforcement of the Deed of non-competition. The Company will disclose all decisions on the matters pertaining to the Annual Review either through the annual report, or by way of announcements to the public. The Controlling Shareholders will provide all information necessary for the Annual Review and the enforcement of the Deed of non-competition, after which they will make an annual declaration on compliance and the manner of compliance with the Deed of non-competition in the annual reports of the Company.