
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer (without taking into account the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Mr. Wong and Madam Hung Kin, through their interests in Global Wisdom, will become our Controlling Shareholders, holding in aggregate approximately 63.42% of the entire issued Shares of our Company.

Independence from the Controlling Shareholders

As at the Latest Practicable Date, none of Global Wisdom, Mr. Wong or Madam Hung Kin was engaged, or interested, in any business which, directly or indirectly, competes or may compete with our business which is discloseable under Rule 8.10 of the Listing Rules. Our Directors believe that our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

- *Management independence*

Mr. Wong has been leading our operations and businesses, and responsible for overseeing the overall strategic development and soliciting business opportunities for our Group, while Madam Hung Kin oversees our Group's operations and has been involved in the management and operational decisions of our Group. Each of them has entered into a service agreement with our Company for a term of three years and is committed to devote substantially all of their time to our Group. Save as aforesaid, our Directors believe that our Group had not relied on our Controlling Shareholders or their associates to carry on our business during the Track Record Period.

Further, save for the related party transactions disclosed under note 37 to the Accountants' Report of our Company set out in Appendix I to this prospectus, there have been no business dealings between our Group and our Controlling Shareholders or their associates. Besides, our two other executive Directors, Mr. S.H. Wang and Mr. Wei, are experienced in the innerwear and fabrics manufacturing industry respectively. With their involvement and the assistance of our own senior management members, who have served our Company and/or our subsidiaries for a substantial period of time and are seasoned in the industry, our Directors are of the view that we do not rely on our Controlling Shareholders to access customers, suppliers and production facilities.

Having considered the above factors, and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly disclosed in the paragraph headed "Non-competition undertakings" below), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing the business of our Group independently after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- ***Administrative independence***

Save for Mr. Wong (being our chairman and an executive Director) leading the overall strategic development and Madam Hung Kin (being an executive Director) involving in the management and operational decisions of our Group, all essential management functions (such as financial and accounting management, invoicing and billing, research and development, human resources and information technology) have been and will be overseen by the other Directors and senior management of our Group (whose biographies are more particularly disclosed in the section headed “Directors, senior management and employees” of this prospectus), without unduly requiring the support of Mr. Wong and Madam Hung Kin or their respective associates.

In addition to Mr. Wong and Madam Hung Kin, our Board also comprises two other executive Directors and three independent non-executive Directors, who would take collective responsibility for the overall corporate strategies and policies making of our Group. Each of our Directors is aware of his or her fiduciary duties as a director of a listed issuer which require that, among other things, he or she acts in the best interests of our Group and does not allow any conflict between his or her duties as a Director and his or her personal interests. As stipulated under the Articles of Association, the interested Directors shall abstain from voting and not be counted in the quorum on any resolution of the Board in respect of any transaction or matter in which such Directors or their respective associates has any material interest.

Our Directors consider that our Group can operate independently from Mr. Wong and Madam Hung Kin and their associates.

- ***Financial viability and independence***

Our Directors confirm that our Company has the ability to operate independently of Mr. Wong and Madam Hung Kin or their respective associates from the financial perspective. During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, accounting and finance department, treasury function for cash receipts and payments and access to third party financing. We make financial decisions according to our own business requirements.

During the Track Record Period, our Group obtained a loan from Madam Hung Kin. Such loan has been settled by us in full during the same period.

Our Directors confirm that as at the Latest Practicable Date, (i) all loans from/to our Controlling Shareholders and their associates to/from our Group had been repaid or settled in full, and (ii) all guarantee from our Controlling Shareholders will be released upon the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Non-competition undertakings

Each of Mr. Wong and Madam Hung Kin has confirmed that, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business. In accordance with the non-competition undertakings (“**Non-Competition Undertakings**”) contained in the sale and purchase agreement dated 22 February 2011 and made between our Company as purchaser and Mr. Wong and Madam Hung Kin as vendors for the acquisition of the entire issued share capital in Grand Concord (HK) (being the material contract referred to in paragraph 9 of Appendix V to this prospectus), each of our Controlling Shareholders has undertaken, jointly and severally, that during the period in which any of them and their respective associates (including Global Wisdom), individually or taken as a whole, remains as a controlling shareholder (as defined under the Listing Rules) of our Company:

- (a) if there is any project or new business opportunity that relates to the business activities engaged by our Group from time to time, he or she shall within a reasonable period of time (and in any event not more than 15 days after such opportunity being aware of by the relevant Controlling Shareholders or his/her associates) refer such project or new business opportunity to us for consideration;
- (b) he/she will not, either on his/her own or on behalf of or as agent of any person, directly or indirectly invest or be employed or otherwise engage, be interested or participate (in any capacity), whether for reward or otherwise, in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities (or any part of it) engaged by our Group from time to time;
- (c) he/she will procure his or her associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above, unless such project or business opportunity shall have been rejected by us in Board meeting(s) with participation of the independent non-executive Directors having been allowed a period of not less than seven days to consider the subject matters and without the attendance by any Directors with any direct or indirect interest in such project or business opportunity, in which resolutions have been duly passed by the majority of the independent non-executive Directors that our Company or relevant member of our Group has rejected such project or business opportunity and that the relevant associate(s) of our Controlling Shareholder(s) (excluding our Group) shall be entitled to accept or engage in such opportunities; and
- (d) he/she shall not and shall procure his or her associates not to directly or indirectly, engage or be employed or otherwise be interested in the business which is the same or similar to that carried on by our Group (otherwise than through our Group), whether for reward or otherwise.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Non-Competition Undertakings are conditional on (i) the Listing Committee granting listing of, and permission to deal in, all the Shares in issue and the new Shares to be issued pursuant to the Share Offer and the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their terms or otherwise.

The Non-Competition Undertakings will cease to have effect on the earlier of the date on which: (a) our Controlling Shareholders and their respective associates (individually or taken as a whole) cease to own 30% or more of the then issued shares of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning ascribed to it under the Listing Rules from time to time) and do not have power to control the Board and there is at least one other independent Shareholder holding more Shares than our Controlling Shareholders and their associates taken together; or (b) the Shares cease to be listed on the Stock Exchange.

In addition, each of Mr. Wong and Madam Hung Kin has undertaken under the Non-Competition Undertakings that he or she shall provide to our Company and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertakings. Each of Mr. Wong and Madam Hung Kin has also undertaken to issue an annual confirmation to us on compliance with the terms of the Non-Competition Undertaking and consenting to the disclosure of such confirmation in the annual reports of our Company. Such disclosure is in line with the recommendation of making voluntary disclosures (especially regarding the internal controls of our Group) in the corporate governance report section of annual report, as set out in Appendix 23 to the Listing Rules.

CORPORATE GOVERNANCE

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including the independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our independent non-executive Directors should be of sufficient caliber and number for their views to carry weight. Our independent non-executive Directors, details of whom are set forth in the section headed “Directors, senior management and employees” of this prospectus, are free of any business or other relationships with our Group which could interfere in any material manner with the exercise of their independent judgment.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Company will adopt the following measures in respect of the enforceability of the Non-Competition Undertakings and to strengthen our corporate governance practice to safeguard the interests of our Shareholders:

- the Articles of Association provide that any interested Directors shall abstain from voting and not be counted in the quorum on any resolution of the Board in respect of any transaction or matter in which such Directors or their respective associates has any material interest. In the event that any of our Directors is required to abstain from participating in any relevant Board meetings as aforesaid, the other executive and independent non-executive Directors will maintain the effective functioning of the Board by leveraging on their collective expertise and business acumen;
- our independent non-executive Directors will review, on an annual basis, the compliance with the Non-Competition Undertakings by our Controlling Shareholders and to evaluate the effective implementation of the Non-Competition Undertakings;
- we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the enforcement of the Non-Competition Undertakings (if any) in our annual report(s) or, where the Board considers it appropriate, by way of an announcement; and
- our Company shall disclose in the corporate governance report of its annual reports on how the terms of the Non-Competition Undertakings are complied with and enforced.