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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), the Controlling Shareholders will control the exercise of voting rights of 75% of the Shares eligible to vote in the general meeting of our Company.

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, save as pursuant to the Share Offer, he/she/it will not and will procure the relevant registered holders not to:

- (i) in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) in respect of which he/she/it is shown in this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date falling the expiration of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Shares (or any interest therein) in respect of which he/she/it is shown in this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to our Company and the Stock Exchange that, within the period commencing on 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 or the registered owner pledges or charges any securities or interests in the securities of our Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (i) or (ii) above by any Controlling Shareholder and disclose such matters by way of an announcement in compliance with the Listing Rules.

### BACKGROUND OF THE CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), the Controlling Shareholders will hold directly and indirectly 75% of the total issued share capital of our Company.

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Lian Wang is a company incorporated on 1 July 2010 in the BVI with limited liability. It is an investment holding company and does not have any business operation. It is owned as to 0.01% and 99.99% by Mr. Choi and Mrs. Choi respectively. Mr. Choi is our chairman and executive Director. He is also the spouse of Mrs. Choi. Mr. Choi and Mrs. Choi are the directors of Great Top and NWCI.

### NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has entered into the deed of non-competition (the “**Deed of Non-competition**”) in favor of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which each of the Controlling Shareholders undertakes and covenants with our Company (for ourselves and as trustee for each of our subsidiaries) that, for so long as the Controlling Shareholders and/or their respective associates, directly or indirectly, whether individually or taken together, remain the Controlling Shareholders of our Company, he/she/it will not and will procure his/her/its respective associates not to directly or indirectly (whether as an investor, shareholder, partner, agent or otherwise or whether for profit, reward or otherwise) engage or otherwise be interested in any business including the manufacture and sale of intermediate chemicals used in the manufacture of consumer products and industrial applications which is or may be in competition with the business of any members of our Group (the “**Restricted Business**”) from time to time.

Such non-competition undertaking does not apply to:

- (i) the holding of shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Controlling Shareholders and their respective associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant share capital of the company in question;
- (iii) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between members of our Group and the Controlling Shareholders and/or their respective associates; and
- (iv) the involvement or participation of the Controlling Shareholders in a Restricted Business in relation to which our Company has agreed in writing to such involvement or participation, following a decision by the independent non-executive Directors to allow such involvement or participation subject to any conditions the independent non-executive Directors may require to be imposed.

The Deed of Non-competition will cease to have effect upon the earlier of the date after the Listing on which (i) our Company becomes wholly-owned by the Controlling Shareholders and/or their respective associates (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange or any other stock exchange recognised under the SFO.

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## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

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### **DIRECTORS**

Each of our Directors confirms that he does not have any competing business with our Group. Moreover, pursuant to the service contracts of our executive Directors, our executive Directors shall not at any time during his respective term of service with our Group and for a period of 12 months after the expiry or termination of his employment with our Company, 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) which competes with or is a competitor of our Group or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation which competes with or is a competitor of our Group.

### **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 the Shareholders:

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

### **INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS**

As at the Latest Practicable Date, none of our Controlling Shareholders has engaged, nor 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 do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Having considered the matters described above and the following factors, our Directors believe that our Group is capable of carrying on our business independent of and does not place undue reliance on our Controlling Shareholders and their respective associates after the Share Offer.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### Management and administrative independence

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Choi, one of the executive Directors and chairman of our Company and Mrs. Choi, a director of Great Top and NWCI, are also our Controlling Shareholders. Save as disclosed herein, there are no other Controlling Shareholders holding any directorship in our Group.

Each of our Directors is aware of his fiduciary duties as a director of a listed issuer which require, among other things, that he acts for the benefit and in the best interests of our Group and does not allow any conflict between his duties as a Director and his personal interests. As stipulated under the Articles of Association, 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 Director(s) or his/their respective associate(s), the interested Director(s) shall abstain from voting at the relevant Board meeting(s) of our Company in respect of such transaction(s) and shall not be counted in the quorum, subject to certain exceptions as set out in the Articles of Association. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Our Company has adopted the revised Corporate Governance Code (the “Code”) as set out in the revised Appendix 14 of the Listing Rules (to be effective on 1 April 2012) in accordance with Rule 13.89(1) of the Listing Rules and has complied with the associated revised Listing Rules (taken into effect on 1 January 2012). The Code sets out principles of good corporate governance in relation to, among others, the obligations of our Directors, the chairman and chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with the Code in accordance with Rule 13.89(2) of the Listing Rules, and will provide details of, and reasons for, any deviations from it in the Corporate Governance Report which will be included in our annual report or our interim report in accordance with Rule 13.89(3) of the Listing Rules. Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers which provides for, among others, prohibitions on Directors’ dealings in securities and protections of minority shareholders’ rights. Our Board is therefore satisfied that sufficient corporate governance measures have been in place to manage conflicts of interest between our Group and each of our Controlling Shareholders, and to protect minority Shareholders’ rights after the Listing. Further, following the Listing, our Board will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, which are required to be reviewed by our independent non-executive Directors. Our Directors are of the view that the considerable proportion of independent non-executive Directors comprising our Board should enhance our overall corporate governance standards.

While our Board, under the chairmanship of Mr. Choi, has taken collective responsibility for overall corporate strategies and policy makings, all essential management functions, including financial and accounting management, invoicing and billing, research and development, human resources and information technology, have been and will be carried out by the other Directors and senior management of our Group (whose biographies are more particularly disclosed in the section headed “Directors, senior management and staff” in this prospectus), without unduly requiring the support of our Controlling Shareholders or their associates.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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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 after the Share Offer.

### **Business and operational independence**

We have established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to sources of supplies or raw materials for production as well as customers. We have also established a set of internal controls to facilitate the effective operation of our business.

Save for Mr. Choi being the chairman of our Company leading our operations and business, and that he was responsible for overseeing the overall strategic development who has entered into a service contract with our Company for a term of three years commencing on Listing Date and is a director of Great Top and NWCI together with the directorship of Mrs. Choi in Great Top and NWCI, our Directors believe that our Group has not relied on our Controlling Shareholders or their associates to carry on our business during the Track Record Period.

There have been no business dealings between our Group and our Controlling Shareholders. Our Directors currently do not expect that following the Listing, there will be any business transactions between our Group and any of the Controlling Shareholders.

### **Financial viability and independence**

Our Directors confirm that our Company has the ability to operate independently of our Controlling Shareholders from the financial perspective. During the Track Record Period and up to the Latest Practicable Date, our Group had our own internal control and accounting system, accounting department, independent treasury function for receiving cash/making payments and independent access to third party financing. We make financial decisions according to our own business requirements.

As at 31 October 2011, Great Top had outstanding loans due to Mr. Choi and Mrs. Choi, our Controlling Shareholders, the aggregate principal of which amounted to HK\$79,990,000 and all outstanding loans due to Mr. Choi and Mrs. Choi of our Group were capitalised, as part of the Reorganisation.

In addition, a corporate guarantee was provided by 廈門翔安新城投資開發有限公司 (Xiamen Xiang'an Xincheng Investment Development Co., Ltd.\*), a company of which Mr. Choi is the legal representative (法人代表) and chairman of the board of director (董事長), to secure our bank borrowings as at 30 June 2010. Such corporate guarantee was fully released subsequently on 25 October 2010.

Having considered the above factors, our Directors consider that there is no financial dependence on our Controlling Shareholders.