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## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

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### **CONTROLLING SHAREHOLDERS**

Immediately following completion of the Global Offering and the Capitalisation Issue, Power Heritage, which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping, will be beneficially interested in approximately 71.72% of our issued share capital (assuming that the Over-allotment Option is not exercised). Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping will be our Controlling Shareholders.

Neither Power Heritage, Mr. Rui Fubin nor Mr. Rui Yiping controls or conducts any business which competes, or is likely to compete, with our business. Our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing for the following reasons:

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

Our Directors are of the view that we are capable of carrying on its businesses independently of our Controlling Shareholders (including any associate thereof) after the Listing.

#### **Management Independence and Operational Independence**

We hold all relevant licences necessary to carry on our businesses, and have sufficient capital, equipment and employees to operate our businesses independently of any of our Controlling Shareholders.

Our management and operational decisions are made by our executive Directors and senior management, who have served us for a long time and have substantial experience in the industry. Further, our four independent non-executive Directors will bring independent judgment to the decision making process of our Board.

We have not shared our operational resources, marketing, sales and other general resources with the Controlling Shareholders and/or their associates. We have independent access to our customers and suppliers. As at the Latest Practicable Date, there were no significant business transactions between us and any of our Controlling Shareholders. Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of management and business operations.

#### **Administrative Independence**

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management and inventory management. We do not share any administrative functions with our Controlling Shareholders.

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### Financial Independence

We have our own financial management system and the ability to obtain financing independently from our Controlling Shareholders.

### NON-COMPETITION UNDERTAKINGS

Each of Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping as covenantor (each a “Covenantor” and collectively, “Covenantors”) executed the Deed of Non-competition in favour of us on 25 February 2012 undertaking that:

- (a) he/it shall not, and shall procure each of his/its associates not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether for profit or not, carry on, engage, invest, be interested or involved or engaged in, acquire or hold any rights or interest, or otherwise involved in any business in the PRC or any other parts of the world which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by any member of our Group (including but not limited to manufacture and sales of cables and wires for power transmission systems and a wide range of industries in the PRC or South Africa) (“Restricted Business”);
- (b) if he/it and/or any of his/its associates is offered of any project or new business opportunity that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company or one of its subsidiaries on terms no less favourable than the terms on which such opportunity is offered to such Covenantor and/or his/its associates;
- (c) if he/it and/or any of his/its associates becomes aware of any project or new business opportunity that relates to the Restricted Business, whether directly or indirectly, he/it shall promptly notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity;
- (d) he/it will not solicit any of our existing or previous employee of our Group for employment by it or its associates (excluding us);
- (e) he/it will not without the consent from our Company, make use of any information pertaining to our business which have or may have come to his/its knowledge in his/its capacity as the controlling shareholder and/or Director for any purposes;

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- (f) he/it will provide to our Company and our Directors (including our independent non-executive Directors) from time to time with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in it and to make an annual declaration on compliance with the undertakings contained therein in the annual reports of our Company;
- (g) he/it will allow our Directors, their respective representatives and the auditors of our Company to have sufficient access to his/its records and the records of his/its associates to ensure their compliance with the terms and conditions under the Deed of Non-competition; and
- (h) (if necessary) within 30 days after the end of each financial year of our Company, he/it shall make a declaration which shall state whether or not he/it has during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be 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.

The Deed of Non-competition does not apply to:

- (a) the holding of shares or other securities issued by our Company or any of its subsidiaries from time to time;
- (b) 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 that the aggregate interest of the relevant Covenantor and his/its 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 issued share capital of the company concerned;
- (c) the investment, participation or engagement of the relevant Covenantor or their associates (excluding our Group) in a Restricted Business (the principal terms of which have been disclosed to our Company and our Directors) which our Company has agreed in writing to such investment, participation or engagement, following a decision by our independent non-executive Directors to allow such investment, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed; or

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- (d) the involvement, participation or engagement of the relevant Covenantor or their associates (excluding our Group) in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to us but has been rejected or declined by us provided that (aa) the decision to reject or decline is made after review and approval by our independent non-executive Directors based on (i) the profitability of such project or business opportunity, (ii) the resources of our Company required for carrying out such project or business opportunity, (iii) the relevant expertise required in such project or business opportunity, and (iv) the effect on our Company's business and competitiveness if such project or business opportunity is not taken up by our Company but by the relevant Covenantor; (bb) the principal terms on which that relevant Covenantor or the relevant associate invests, participates or engages in such project or business opportunity are substantially the same as or not more favourable than those disclosed to our Company; (cc) the investment, participation and/or engagement by the relevant Covenantor or the relevant associate in such project or business opportunity shall be subject to any conditions that may be imposed by our independent non-executive Directors; and (dd) the information and the principal terms of such project or business opportunity have been disclosed to our Company and our Directors.

In respect of sub-paragraphs (c) and (d) above, there is no specific time limit imposed on us to decide whether to accept any new business opportunities, as we are of the view that such time limitation poses a restriction on us and would not be in our best interest. In deciding whether to accept any new business opportunities, we expect that we will consider the business prospects, development, our performance, the potentials of the new opportunities, the funds required, our financial resources, the market conditions etc, at the relevant times.

If our Company rejects any project or business opportunity as notified by the Covenantors under the Deed of Non-competition as mentioned above, our Company will include details of such rejection and basis thereof in the annual report of our Company for the relevant financial year.

It has been provided in the Deed of Non-competition that if the relevant Covenantor or his/its relevant associate decides to invest, be engaged, or participate in the Restricted Business, whether directly or indirectly, he/it shall disclose the terms of such investment, engagement or participation to us and our Directors as soon as practicable.

The Deed of Non-competition and the rights and obligations thereunder are conditional on the conditions stated in the paragraph headed "Conditions of the Hong Kong Public Offer" in the section headed "Structure of the Global Offering" of this prospectus being fulfilled and will take effect immediately upon Listing.

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The Deed of Non-competition will remain in effect in respect of any Covenantor until the earlier of:

- (a) the day on which our Shares cease to be listed on the Main Board or other recognised stock exchange; or
- (b) the day on which the relevant Covenantor ceases to be a Director, or the day on which the relevant Covenantor and his/its associates, individually or taken as a whole, cease to own or hold 5% or more of the entire issued Shares, whichever is later.

Each of the Covenantors also represented and warranted to us in the Deed of Non-competition that neither it/he nor any of its/his 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 Business other than through us.

As the Covenantors have given non-competition undertakings in favour of us, and none of them have interests in other businesses that compete or are likely to compete with our business, our Directors are of the view that we are capable of carrying on our business independently of the Covenantors following the Listing.

As at the Latest Practicable Date, none of the Covenantors and our Directors had interests in any business which competes or is likely to compete with our business.