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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Li and Hongfa Holdings will control more than 50% of our issued share capital, assuming no exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme. For the purpose of the Listing Rules, Mr. Li and Hongfa Holdings are our Controlling Shareholders. Each of Mr. Li and Hongfa Holdings confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

### INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders and their respective associates, taking into account the following factors:

- (i) *Financial independence*: Our Group has an independent financial system and relies principally on cash from operations to carry on its business during the Track Record Period. This is expected to continue after the Listing. Our Group has procured the release of all guarantees provided to us by Mr. Li upon the Listing.
- (ii) *Operational independence*: We have established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates.
- (iii) *Management independence*: Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Li, a Controlling Shareholder, is an executive Director and our Chairman. He is also the sole director of Hongfa Holdings which is another Controlling Shareholder. Save as disclosed above, none of our executive Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his 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 so far as required by the Listing Rules or other applicable laws and regulations. Furthermore, Mr. Li and his associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing

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Rules or other applicable laws and regulations. In addition, our Group has an independent senior management team, none of whom has any managerial role or beneficial interest in our Controlling Shareholders or any of their respective associates, to carry out the business decisions of our Group independently.

Three of the members of the Board are independent non-executive Directors who are all well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Furthermore, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

### **RULE 8.10 OF THE LISTING RULES**

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

### **NON-COMPETITION UNDERTAKING**

In order to avoid any possible future competition between our Group and each of Mr. Li and Hongfa Holdings (the "Covenantors"), each of the Covenantors have executed a deed of non-competition (collectively, the "Deeds") on 9 April 2012 in favor of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deeds, during the period that the Deeds remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure his/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time in the future save for the holding of not more than 5% shareholding interests (individually or with his/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its associates).

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When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. Any decision on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed(s) will be disclosed in the annual report of our Company, and if appropriate, our Company will consider issuing announcements.

Our Board will establish a committee comprising all of our independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deeds as requested by the committee from time to time, and make an annual declaration on compliance with the Deeds in the annual report of our Company.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deeds shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds.

The Deeds shall terminate on the earliest of the date on which (i) the Covenantors shall cease to hold in aggregate 30% or more of the entire issued share capital of our Company or otherwise cease to be a Controlling Shareholder; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).