

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

CONTROLLING SHAREHOLDERS

Immediately following the Closing, the Controlling Shareholders, namely Mr. Wang Dong, Mr. Wang Changhui, Mr. Rao Huigang, Jeremy Global Development Limited, Kiwi Global Development Limited, Restriven Limited, Wangdong Holdings, Pangmao1 Ltd, Wangchanghui Holdings, Pangmao2 Ltd and Raohuigang Holdings, who are parties acting in concert pursuant to the Concert Party Agreement (see “History, Reorganization and Corporate Structure of the Target Group – The Concert Party Agreement”), will be interested in and will control 36,108,114 Successor Company Class A Shares and 191,035,862 Successor Company Class B Shares.

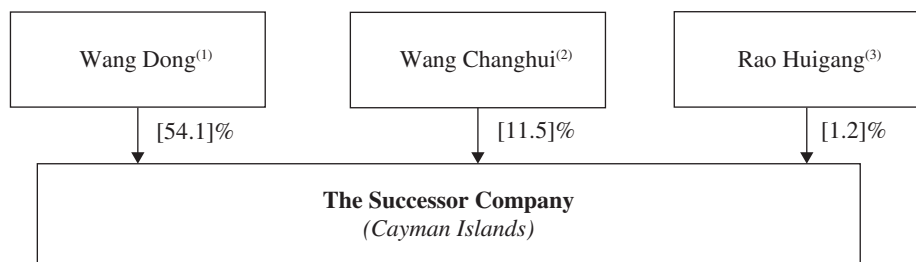
Each Successor Company Class A Share has one vote per share and each Successor Company Class B Share has 10 votes per share, capable of being exercised on resolutions in general meetings. For certain Reserved Matters, the Successor Company Class B Shares carry one vote per share.

Assuming the Presumptions:

- (i) the Controlling Shareholders’ aggregated shareholding will be approximately [19.1]% of the total issued share capital and will hold approximately [66.9]% of the voting rights in the Successor Company through shares beneficially owned by them which are capable of being exercised on resolutions in general meetings (except for resolutions with respect to the Reserved Matters); and
- (ii) in relation to the Reserved Matters, the Successor Company Class B Shares carry one vote per share, and the aggregate percentage of voting rights that the Controlling Shareholders may exercise in respect of the Reserved Matters is approximately [19.1]%.

Accordingly, Mr. Wang Dong, Mr. Wang Changhui, Mr. Rao Huigang, Jeremy Global Development Limited, Kiwi Global Development Limited, Restriven Limited, Wangdong Holdings, Pangmao1 Ltd, Wangchanghui Holdings, Pangmao2 Ltd and Raohuigang Holdings are acting together as a group of Controlling Shareholders.

The following diagram illustrates the ultimate beneficial interests of the Controlling Shareholders’ voting rights for resolutions in general meetings with respect to matters other than the Reserved Matters, immediately following the Closing (assuming the Presumptions):



Notes:

- (1) Immediately upon Closing (assuming the Presumptions), Wangdong Holdings and Pangmao1 Ltd will hold a total of 157,523,425 Successor Company Class B Shares, representing an aggregate of approximately [54.1]% of the voting rights in the Successor Company capable of being exercised on resolutions in general meetings and approximately [13.2]% of the voting rights in the Target Company in relation to the Reserved Matters. Pangmao1 Ltd is wholly owned by Wangdong Holdings. Wangdong Holdings is controlled by Jeremy Global Development Limited, which in turn is controlled through a trust which was established by Mr. Wang Dong (as the settlor) for the benefit of Mr. Wang Dong and his family.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

- (2) Immediately upon Closing (assuming the Presumptions), Wangchanghui Holdings and Pangmao2 Ltd will hold a total of 33,512,437 Successor Company Class B Shares, representing an aggregate of approximately [11.5]% of the voting rights in the Successor Company capable of being exercised on resolutions in general meetings and approximately [2.8]% of the voting rights in the Target Company in relation to the Reserved Matters. Pangmao2 Ltd is wholly owned by Wangchanghui Holdings. Wangchanghui Holdings is directly controlled by Kiwi Global Development Limited, which in turn is controlled through a trust which was established by Mr. Wang Changhui (as the settlor) for the benefit of Mr. Wang Changhui and his family.
- (3) Immediately upon Closing (assuming the Presumptions), Raohuigang Holdings will hold 36,108,114 Successor Company Class A Shares, representing an aggregate of approximately [1.2]% of the voting rights in the Successor Company capable of being exercised on resolutions in general meetings and approximately [3.0]% of the voting rights in the Target Company in relation to the Reserved Matters. Raohuigang Holdings is directly controlled by Restriven Limited, which in turn is controlled through a trust which was established by Mr. Rao Huigang (as the settlor) for the benefit of Mr. Rao Huigang and his family.

For further information about the weighted voting rights attached to the Successor Company Class B Shares, see the section headed "Share Capital".

Mr. Wang Dong and Mr. Wang Changhui will be executive Directors of the Successor Company. For further background of Mr. Wang Dong and Mr. Wang Changhui, see "Directors and Senior Management of the Successor Company."

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors of the Successor Company are satisfied that the Successor Group is capable of carrying on its business independently from the Controlling Shareholders and their respective close associates following the Closing.

Management Independence

The Successor Group's business will be managed and conducted by the Board and senior management of the Successor Company. Following the Closing, the Successor Board will consist of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, please see the section headed "Directors and Senior Management of the Successor Company".

The Directors of the Successor Company consider that the board and senior management of the Successor Company will function independently of the Controlling Shareholders because:

- (a) each Director of the Successor Group is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of the Successor Company and does not allow any conflict between his/her duties as a Director of the Successor Company and his/her personal interests;
- (b) the Successor Company's daily management and operations will be carried out by a senior management team, all of whom have substantial experience in the industry in which the Successor Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Successor Group;
- (c) the Successor Company will have three independent non-executive Directors and certain matters of the Successor Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Successor Group and the Directors of the Successor Company or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant board meetings of the Successor Company in respect of such transactions; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

- (e) the Successor Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between the Successor Group and the Controlling Shareholders which would support its independent management. Please see “– Corporate Governance Measures” in this section for further information.

Based on the above, the Directors of the Successor Company believe that the Successor Board as a whole and together with senior management team of the Successor Company will be able to perform the managerial role of the Successor Group independently.

Operational Independence

The Successor Group has full rights to make business decisions and to carry out its business independently from the Controlling Shareholders. On the basis of the following reasons, the Directors of the Successor Company consider that the Successor Company will continue to be operationally independent from the Controlling Shareholders after Closing:

- (a) the Successor Group is not reliant on trademarks owned by the Controlling Shareholders, or by other companies controlled by the Controlling Shareholders;
- (b) the Successor Group is the holder of all relevant licenses material to the operation of its business;
- (c) the Successor Group has independent access to its customers and suppliers;
- (d) the Successor Group has sufficient capital, facilities, equipment and employees to operate its business independently from the Controlling Shareholders;
- (e) the Successor Group has its own administrative and corporate governance infrastructure, including its own accounting, legal and human resources departments; and
- (f) none of the Controlling Shareholders have any interest in any business which competes or is likely to compete with the business of the Successor Group.

Based on the above, the Directors of the Successor Company believe that the Successor Group is able to operate independently of the Controlling Shareholders.

Financial Independence

The Target Group has its own accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and it makes financial decision according to its own business needs. The Target Group has independent internal control and accounting systems. It is capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders.

During the Track Record Period, Mr. Wang Dong provided guarantees in respect of certain bank borrowings by the Target Group. See Note 29 of the Accountants’ Report of the Target Group in Appendix I to this circular for further details. All such guarantees will be released upon Closing.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders confirm that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of the Successor Group, which competes or is likely to compete, directly or indirectly, with the Successor Group’s business that would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

CORPORATE GOVERNANCE MEASURES

The Successor Company and its Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Successor Company Shareholders, including the rights and interests of the minority Successor Company Shareholders of the Successor Company. In light of this, the Successor Company has established a Corporate Governance Committee which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the Corporate Governance Committee are independent non-executive Directors. The primary duties of the Corporate Governance Committee are to ensure that the Successor Company is operated and managed for the benefit of all Successor Company Shareholders and to ensure the Successor Company's compliance with the Listing Rules and safeguards relating to the WVR structure of the Successor Company.

Under the Successor Company Articles, Successor Company Shareholders, including holders of Successor Company Class A Shares, holding not less than one-tenth of the paid-up capital of the Successor Company that carries the right of voting at general meetings (on a one share one vote basis) are entitled to convene an extraordinary general meeting of the Successor Company and add resolutions to the meeting agenda. In addition, pursuant to the Successor Company Shareholder communication policy to be adopted by the Successor Company upon Closing, Shareholders are encouraged to put governance related matters to the Directors of the Successor Company and to the Successor Company directly in writing.

The Successor Group has adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between the Successor Group and the Controlling Shareholders:

- (a) under the Successor Company Articles, where a Successor Company Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders has a material interest, the relevant Controlling Shareholders will not vote on the relevant resolutions;
- (b) the Successor Company has established internal control mechanisms to identify connected transactions. Upon Closing, if the Successor Company enters into connected transactions with the Controlling Shareholders, the Successor Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors of the Successor Company will review, on an annual basis, whether there are any conflict of interest between the Successor Group and the Controlling Shareholders and provide impartial and professional advice to protect the interests of the minority Successor Company Shareholders;
- (d) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors of the Successor Company for the purpose of their annual review;
- (e) the Successor Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where the Directors of the Successor Company reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at the Successor Company's expense;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

- (g) the Successor Company has appointed Altus Capital Limited as its compliance advisor to provide advice and guidance to the Successor Group in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) the Successor Company has established its Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the Listing Rules and Chapter 8A to the Listing Rules. All members of the Audit Committee and the Corporate Governance Committee, including the chairman, are independent non-executive Directors.

Based on the above, the Directors of the Successor Company are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between the Successor Group and the Controlling Shareholders, and to protect the minority Successor Company Shareholders' interests after Closing.