

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Share Offer, the Controlling Shareholders will together control the exercise of voting rights of approximately 32.4% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised). Save and except for their respective interests in our Company and its subsidiaries, none of the Controlling Shareholders nor any of their respective associates had interests in any other companies as at the Latest Practicable Date which (i) held interests in our business during the Track Record Period and ceased to hold such interests after the Corporate Reorganization; or (ii) may, directly or indirectly, compete with our Group's business.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with our Company (for itself and as trustee 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 will not and will procure his 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 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 recognized 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 entered into between members of our Group and the associates of the Controlling Shareholders; 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

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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 earliest of the date 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 recognized under the SFO.

DIRECTORS

Each of our Directors confirms that he or she does not have any competing business with our Group. Moreover, pursuant to their service agreements, our executive Directors shall not at any time during his or her term of service with our Group and for a period of 12 months after the expiry or termination of his or her employment with our Company, without the prior written consent of our 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:

- our independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by the Controlling Shareholders under the Deed of Non-competition;
- 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;
- 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
- the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters set described above and the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Share Offer.

Management Independence

Our Board comprises three executive Directors, one non-executive Director and four independent non-executive Directors. Two of our executive Directors, Dr. Lau and Prof. Tsui, and our non-executive Director, Prof. Cheng, are also our Controlling Shareholders.

Save as disclosed above, no other Controlling Shareholders holds any directorship in our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her 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. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

During the Track Record Period, JL Limited, a company wholly owned by Ms. Loh, a Controlling Shareholder, provided consultancy services to our Group and advised members of our management on corporate strategies and financial planning and we therefore paid service fees to JL Limited. Since April 2009, JL Limited ceased to provide such consultancy services to our Group as part of our cost reduction measures and for the purpose of enabling Ms. Loh to devote more time in the development of her other businesses not related to the business of our Group.

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 the Controlling Shareholders after the Share Offer.

Operational Independence

We have established our own set of organizational 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.

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Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

Historically, some of our bank borrowings were secured by mortgages over certain properties situated in Hong Kong owned by JL Limited, a company wholly owned by Ms. Loh, a Controlling Shareholder and pledge of certain investments owned by Dr. Lau, the spouse of Ms. Loh. We have already obtained written confirmation from our banks for the release of such asset pledges upon the Listing, subject to the conditions that, among other things, the provision of alternative securities in favor of the banks by our Group such as credit insurance policies, corporate guarantees and charges on deposits by our Group.

In addition, certain personal guarantees were provided by Dr. Lau, Mr. Heung, Lap Chi Eugene and Mr. Paulo Lam, either severally or jointly and severally, to secure our bank borrowings. We have already obtained written confirmation from our banks for the release of such personal guarantees upon the Listing, subject to the conditions that, among other things, (i) certain indebtedness being repaid upon Listing, (ii) the provision of alternative securities in favor of the banks by our Group such as credit insurance policies, corporate guarantees and charges on deposits by our Group, and (iii) that the bank received satisfactory evidence that the consolidated net asset value of our Group shall be not less than a certain amount.

As at 30 June 2009, we had outstanding loans from JL Limited, a company wholly owned by our Controlling Shareholder Ms. Loh, the principal and accrued interest of which amounted to HK\$23.6 million. JL Limited did not extend any additional loans to our Group after 30 June 2009. As at the time of the Listing, there will be no outstanding loans from JL Limited to our Group, since HK\$15 million of such loans had been used to set-off against an amount due from Dr. Lau, HK\$3,873 of such loans had been capitalized, HK\$6.6 million of such loans had been repaid and HK\$0.4 million of such loans will be repaid with proceeds from our bank borrowings before the Listing. In addition, JL Limited agreed to bear HK\$1.6 million of the listing cost incurred in connection with the Listing. Our Company has agreed to pay such amount on behalf of JL Limited, and thereby offset against the remaining outstanding loans from JL Limited to our Group.

As at 30 June 2009, we had outstanding loans from Mr. Heung, Lap Chi Eugene, the spouse of Ms. Leung, Yee Li Lana, who is the sole shareholder of UGH, a beneficial shareholder of our Company, the principal and accrued interest of which amounted to HK\$11.7 million. Mr. Heung, Lap Chi Eugene did not extend any additional loans to our Group after 30 June 2009. As at the time of the Listing, there will be no outstanding loans from Mr. Heung, Lap Chi Eugene to our Group, since HK\$3,703 of such loan had been capitalized and HK\$5 million balance of such loans will be repaid with proceeds from our bank borrowings before the Listing. In addition, UGH agreed to bear HK\$6.7 million of the listing cost incurred in connection with the Listing. Our Company has agreed to pay such amount on behalf of UGH, and thereby offset against the remaining outstanding loans from Mr. Heung, Lap Chi Eugene to our Group, as agreed by Mr. Heung, Lap Chi Eugene.

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