

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Upon the [●], each of Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. WK Cheung, Mr. YP Cheung, Cui Fa, Ample Favour and Victor Leap will be a Controlling Shareholder under the [●]. The table below sets out information regarding the ownership of our Shares immediately following the completion of the [●] and the [●] (without taking into account any Shares which may be allotted and issued upon any exercise of the [●] or options which have been or may be granted under the [●] Share Option Scheme and Share Option Scheme):

	Number of Shares owned	Approximate percentage of voting rights
Cui Fa (note 1)	789,092,000	59.18%
Ample Favour (note 2)	85,408,000	6.41%
Victor Leap (note 3)	63,456,000	4.76%
Macca Investment	60,000,000	4.50%
Mr. Chau	2,044,000	0.15%
Other Shareholders	333,334,000	25%
Total	1,333,334,000	100%

- Notes:
- (1) Cui Fa is owned as to approximately 48.19%, 37.35% and 14.46%, respectively, by Mr. Lee, Mr. Ho and Mr. YT Cheung as at the date of this document.
 - (2) Ample Favour is wholly-owned by Mr. WK Cheung as at the date of this document.
 - (3) Victor Leap is wholly-owned by Mr. YP Cheung as at the date of this document.

Acting in Concert Confirmation

Over the course of our business history, our Core Shareholders were either the legal owners of shares and/or the business beneficiaries in each of our subsidiaries (excluding our Jointly-Controlled Entities) comprising our Group. Each of the Core Shareholders has, in exercising and implementing the management and operation of each of our subsidiaries, been acting in concert with each other. Because we were a group of private entities in the past, these arrangements were not formalized in writing and each of our Core Shareholders was content with these arrangements based on their close and long-term business and personal relationships, as well as the trust and confidence they have in each other. Our Core Shareholders have confirmed that (i) the acting in concert arrangements with respect to each Relevant Subsidiary (as defined below) became effective upon any Core Shareholder(s) becoming the registered shareholder of each such Relevant Subsidiary; and (ii) the business stake of each Core Shareholder in each such Relevant Subsidiary was in proportion to their respective shareholding in Kang Wang immediately prior to the implementation of our Reorganization. For illustrative purposes, Kang Wang was owned as to approximately 38.11%, 29.54%, 11.43%, 8.56% and 6.36%, respectively, by Mr. Lee, Mr. Ho, Mr. YT Cheung (through their respective interests in Cui Fa), Mr. WK Cheung (through his 100% interest in Ample Favour) and Mr. YP Cheung (through his 100% interest in Victor Leap).

On November 5, 2012, in preparation for the [●], our Core Shareholders executed the Acting in Concert Confirmation, whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the [●] to consolidate their control over our Group until the Acting in Concert Confirmation is terminated by the Core Shareholders in writing. The Acting in Concert Confirmation covers our Company and a total of 36 subsidiaries (the “Relevant Subsidiaries”), including Happy Billions, Green Wave, Euro Success, TW Restaurant Holding, Win Idea, Senfield, Billioncom, Kenglory, Sky Oasis, Happy Oasis, Royal Gold, Dragonsea, TW Catering Management, Joyhale, TW

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Efford, Common Way, Ever Million Rich, Flying Gold, Golden York, Pioneer Ray, Richberg, Special Wise, Summer Rich, TW Catering, China Sure, Famous China, Popular Green, TW Patent, Kang Wang, Cui Xin, Joy Express (for the period up to September 30, 2009) Champion Richstar, Green Luck, Green Treasure, Longwin Corporate, New Top Star and New Power Zone. The Acting in Concert Confirmation contains the following salient terms:

According to the Acting in Concert Confirmation, with respect to the businesses of the Relevant Subsidiaries, our Core Shareholders confirm to each other that, for the entire duration when all of them were/are contemporaneously either the legal owners of shares and/or the business beneficiaries in each of the Relevant Subsidiaries and, after the incorporation of our Company, our Company:

- (a) they have agreed to, and shall continue to, consult each other and reach a consensus among themselves on matters which are the subject of any shareholders' resolution prior to putting forward any such resolution to be passed at any shareholders' meeting of our Company and the Relevant Subsidiaries (as the case may be) and have historically voted on such resolutions in a unanimous manner;
- (b) they have enjoyed, and shall continue to enjoy, the economic benefits generated from all Relevant Subsidiaries from the businesses and projects of our Group, which include but shall not be limited to, dividends declared or to be declared (if any) from the businesses and projects of our Group;
- (c) where there was or is any suitable business opportunity or project for our Group, they have engaged in, and shall continue to engage in, discussions as to whether they should participate and, if so, in whose name they should participate and the extent of participation in terms of investment and management; and
- (d) they have centralized, and shall continue to centralize, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of our Group.

Hence, pursuant to the Acting in Concert Confirmation, Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. WK Cheung, Mr. YP Cheung, Cui Fa, Ample Favour and Victor Leap will together be entitled to exercise and control approximately 70.35% of our entire issued share capital immediately upon the completion of the [●] and the [●] (without taking into account any Shares which may be allotted and issued upon any exercise of the [●] and the options which have been or may be granted under the [●] Share Option Scheme and Share Option Scheme).

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No competition and clear delineation of business

Our Directors, including our independent non-executive Directors, confirm that, as at the Latest Practicable Date, none of our Controlling Shareholders or any of their respective associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business.

The principal business venture of Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. WK Cheung, and Mr. YP Cheung is our Group. Cui Fa, Ample Favour and Victor Leap are investment holding companies held by the respective Core Shareholders and the principal business asset of which is their shareholding in our Group.

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Our Company was incorporated in the Cayman Islands on May 29, 2012 as part of our Reorganization, details of which are set out in “History, Development and Reorganization — Reorganization” in this document. Pursuant to our Reorganization, all companies and businesses of our Controlling Shareholders related to, or incidental to, the operation of *Cha Chaan Teng* (茶餐廳) in Hong Kong, Macau and the PRC were transferred to our Company. In particular, one of the objectives of our Reorganization was to establish a clear delineation between the businesses carried out by our Group and our Controlling Shareholders via separate and distinct corporate entities.

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders based on the following reasons:

Independence of management and directorship

Our Company has a Board and members of senior management that function independently from our Controlling Shareholders and their respective associates. Our Board of Directors is comprised of five executive Directors and three independent non-executive Directors. Our senior management consists of four members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

- (i) with three independent non-executive Directors out of a total eight Directors in our Board, which exceeds the requirements under the [●], there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;
- (ii) all members of our senior management are full-time employees of our Group and most have, for the entire or substantially the entire the period consisting of the three years ended March 31, 2012 and the three months ended June 30, 2012, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include managing operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategies of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;
- (iii) instances of actual or potential conflict have been identified (see “Connected Transactions” in this document) and minimized (by virtue of the Deed of Non-Competition);
- (iv) each of our Director is aware of his fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;
- (v) connected transactions between our Company and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the [●];

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- (vi) all of the businesses that are directly related to or incidental to the operation of *Cha Chaan Teng* (茶餐廳) in Hong Kong, Macau and the PRC held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganization. Therefore, there is no competition that would adversely affect the management independence of our Group; and
- (vii) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. See “Corporate governance measures” in this section below.

Operational independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

- (i) our Company is not reliant on trademarks owned by our Controlling Shareholders, or other companies controlled by our Controlling Shareholders;
- (ii) except for the restaurant and/or bakery licenses of six of our restaurants held by our Controlling Shareholders, executive Directors or employees, our Group is the holder of all relevant licenses material to the operation of our restaurant business and has sufficient capital, equipment and employees to operate our business independently. For the arrangement in relation to the restaurant and/or bakery licenses of six of our restaurants which are held by individuals, see “Business — Restaurant and/or bakery licenses(s) of six of our restaurants” in this document;
- (iii) our Company has its own administrative and corporate governance infrastructure (including its own accounting, legal and human resources departments);
- (iv) except for the premises of three restaurants, one central kitchen, one catering services center and one office premise which are leased from entities controlled by our Controlling Shareholders (details of which are set out in “Connected Transactions” in this document) and the premises of the restaurants operated by our Jointly-Controlled Entities, which are licensed from our joint venture partners, all of the properties used as our principal place of business, offices premises and restaurants are leased from Independent Third Parties by our Company or our subsidiaries.
- (v) our Company has established a set of internal control procedures to facilitate the effective operation of our business; and
- (vi) our Company does not rely on our Controlling Shareholders for access to suppliers and customers. In particular, we independently manage our sourcing for food and equipment. Our customers are predominantly members of the public, to whom we have independent access.


Based on the above-mentioned arrangements, our Directors are of the view that our Company will be able to operate independently from our Controlling Shareholders.

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Continuing connected transactions between our Group and entities controlled by our Controlling Shareholders

During the period consisting of the three years ended March 31, 2012 and the three months ended June 30, 2012, certain entities controlled by our Controlling Shareholders entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 28 to the Accountants’ Report set out as Appendix I to this document. Such transactions, if continued upon the [●], will constitute connected transactions of our Company under the [●]. Details of these continuing connected transactions are set out in “Connected Transactions” in this document.

With the exception of three restaurants, one central kitchen, one catering services center and one office premise which we operate on properties leased from entities controlled by our Controlling Shareholders, our business will, upon the [●], continue to be independent of our Controlling Shareholders. These leasing arrangements with our Controlling Shareholders, details of which are set out in “Connected Transactions” in this document, include:

- (i) lease of restaurant premises from Joy Express, a company owned as to 40%, 30%, 10%, 10% and 10%, respectively, by Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. YP Cheung and Mr. WK Cheung, each being a Controlling Shareholder, on which we operate Des Voeux Road Central Tsui Wah restaurant (德輔道中翠華餐廳). Joy Express is a limited liability company incorporated prior to the period consisting of the three years ended March 31, 2012 and the three months ended June 30, 2012 and wholly-owned by our Controlling Shareholders. Joy Express was engaged in the *Cha Chaan Teng* (茶餐廳) business of our Group from the beginning of the period consisting of the three years ended March 31, 2012 and the three months ended June 30, 2012 up to September 30, 2009, the date of cessation of its involvement in the business of our Group, and thereafter became involved in the business of property investment. Joy Express was, and remains, the owner of the Des Voeux Premises and operated our Des Voeux Road Central Tsui Wah Restaurant (德輔道中翠華餐廳) under our  翠華餐廳 “Tsui Wah (翠華)” brand prior to September 30, 2009. Through an intra-group transfer of the relevant business, this restaurant is currently operated by TW Catering, our wholly-owned subsidiary. Our Directors confirm that Joy Express does not operate any business that competes, or is likely to compete, either directly or indirectly, with the business of our Group;
- (ii) lease of restaurant premises from Champion Stage Limited, a company owned as to 50%, 37.50%, and 12.50%, respectively, by Mr. Lee, Mr. Ho and Mr. YT Cheung, each being a Controlling Shareholder, on which we operate Aberdeen Tsui Wah restaurant (香港仔翠華餐廳);
- (iii) lease of kitchen premises from Fame City International Limited, a company owned as to 20%, 20%, 20%, 20%, and 20%, respectively, by Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. YP Cheung and Mr. WK Cheung, each being a Controlling Shareholder, on which we operate our central kitchen;
- (iv) lease of an office premise from Success Path Limited, a company owned as to 40%, 30%, 10%, 10% and 10%, respectively, by Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. YP Cheung and Mr. WK Cheung, each being a Controlling Shareholder, which we use as an office; and

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- (v) lease of restaurant premises from Success Path Limited, a company owned as to 40%, 30%, 10%, 10% and 10%, respectively, by Mr. Lee, Mr. Ho, Mr. YT Cheung, Mr. YP Cheung and Mr. WK Cheung, each being a Controlling Shareholder, on which we operate Hung To Road Tsui Wah restaurant (鴻圖道翠華餐廳) and catering services center.

These transactions between our Group and entities controlled by our Controlling Shareholders are not material in value as far as our Group is concerned. On an aggregated annual basis, the amounts paid or payable by our Group to such entities, for the year ended March 31, 2012, did not exceed 5% of our Group's revenue during the same periods.

The properties subject to these transactions were not included in our Group in order to allow our Group to focus on our core business of restaurant operations and present a streamlined corporate profile to our Shareholders. Our current business strategy involves restaurant operations on leased properties only, which give us the flexibility to select suitable property and location in accordance with prevailing market conditions.

Our Directors confirm that, save and except for the continuing connected transactions set out in "Connected Transactions" in this document, all related party transactions with our Controlling Shareholders will be discontinued upon the [●]. Our Directors (including our independent non-executive Directors) consider that such continuing connected transactions have been entered into in the ordinary and usual course of our business and are based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole.

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective associates upon the [●] for the following reasons:

- (i) **Strong financial positions:** we are the leading *Cha Chaan Teng* (茶餐廳) chain owner and operator in Hong Kong based on revenue and number of seats in 2011, according to the Frost & Sullivan Report. We have been financially sound throughout the period consisting of the three years ended March 31, 2012 and the three months ended June 30, 2012. For the three financial years ended March 31, 2010, 2011 and 2012 and the three months ended June 30, 2012, our Group's turnover was HK\$440.0 million, HK\$598.0 million, HK\$762.8 million, and HK\$223.6 million, respectively, and our profit for the year attributable to owners of our Company for the same periods were HK\$53.8 million, HK\$64.9 million, HK\$103.9 million and HK\$24.0 million, respectively. As at June 30, 2012, our Group had cash and bank balances of HK\$104.1 million. Our Group's net cash flows from operating activities for the financial year ended March 31, 2012 was HK\$113.8 million.
- (ii) **Strong credit position:** besides having a strong financial position and cash generating operation as mentioned above, based on discussions with relevant lending banks, our Group also has a strong credit position on a stand-alone basis. Our Group expects to maintain a strong net cash position after the [●].
- (iii) **A track record of obtaining bank loans on a stand-alone basis:** Our Group has been able to, and believes that it will continue to be able to, secure loans from banks and other financial institutions without any credit support or guarantees from our Controlling Shareholders. We are confident that after the [●], we will be able to obtain

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credit facilities from financial institutions on a stand-alone basis. As such, our Group is satisfied of its capability on carrying on our business financially independently of our Controlling Shareholders.

All the non-trade amounts due to and from our Controlling Shareholders and companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders, and companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released before the [●]. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favor of our Group or vice versa upon the [●].

Because we were a group of private entities in the past, we have incurred certain amounts due to and from our Directors during the period consisting of the three years ended March 31, 2012 and the three months ended June 30, 2012. These amounts were the results of drawings and advance payments made by our Directors. We have settled these amounts by way of dividend declaration before the [●].

DEED OF NON-COMPETITION

For the purpose of the [●], the Controlling Shareholders have entered into the Deed of Non-Competition, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/she/it would not, and would procure that his/her/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "Restricted Business").

As none of the Controlling Shareholders has ever had the option or right to acquire any asset in any of our business operations, no options, pre-emptive rights or rights of first refusal will be granted by the Controlling Shareholders to our Group under the Deed of Non-Competition.

Each of the Controlling Shareholders has also undertaken to our Company the following:

- (a) 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; and
- (b) to make an annual declaration on compliance with his/her/its undertaking under the Deed of Non-Competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the [●].

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The Deed of Non-Competition does not apply to:

- (a) any interests in the shares of any member of our Group since the business of such member is not in competition with our Group. Moreover, none of the Controlling Shareholders currently has any intention to hold shares directly in any member of our Group; or
- (b) interests in the shares of a company other than our Group which shares are listed on a recognized [●] provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by the relevant Controlling Shareholder and/or his/her/its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/her/its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder and his/her/its associates in aggregate.

The “restricted period” stated in the Deed of Non-Competition refers to the period during which (i) the Shares of our Company remain [●] on the [●]; (ii) the relevant Controlling Shareholder and his/her/its associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholder and/or his/her/its associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company was no longer [●] on the [●] or the relevant Controlling Shareholder came to hold less than 30% of the Shares then issued, the Deed of Non-Competition would not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the [●] and the [●] for the concept of “control”.

CORPORATE GOVERNANCE MEASURES

Upon the [●], our Company will continue to enter into connected transactions with certain companies controlled by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to our Company under the Deed of Non-Competition that he/she/it shall not, and shall procure that his/her/its subsidiaries (other than our Company) shall not, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes, or may compete, with our business. Our Company will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the [●], our Company has amended our Articles of Association to comply with the [●]. In particular, our Articles of Association provide that, except for certain exceptions permitted under the [●] or the [●], a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its associates (other than our Company or any

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member of our Group) shall not vote on any board resolution regarding any transactions proposed to be entered into between any member of our Group and the Controlling Shareholders or any of its associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;

- (ii) we have appointed [●] as our [●], which will provide advice and guidance to us with respect to compliance with the applicable laws and the [●], including but not limited to various requirements relating to Directors' duties and internal controls;
- (iii) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- (iv) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;
- (vi) each of our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-Competition in the annual report of our Company;
- (vii) the management structure of our Group includes an audit committee, a remuneration committee, and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and
- (viii) pursuant to [●], our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company is expected to comply with [●] which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.