
RELATIONSHIP WITH DR. YE AND MS. CAO

Dr. Ye and Ms. Cao currently hold a controlling interest in our Company pursuant to the Concert Agreement entered into between them dated June 9, 2010. Under the Concert Agreement, Ms. Cao has agreed to vote in agreement with Dr. Ye in directors' meetings, shareholders' meetings and on matters requiring shareholders' approval in order to strengthen long term cooperation and facilitate effective commercial decision making in relation to our Company.

As parties acting in concert, Dr. Ye and Ms. Cao held approximately 32.21% of our total issued Shares in aggregate as of the Latest Practicable Date. Therefore, Dr. Ye and Ms. Cao are our controlling shareholders (as defined under the Listing Rules) before the [REDACTED].

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Dr. Ye and Ms. Cao will hold approximately [REDACTED]% of our total issued Shares in aggregate. Accordingly, Dr. Ye and Ms. Cao will be our largest Shareholders immediately after the [REDACTED].

INDEPENDENCE FROM DR. YE AND MS. CAO

The Directors consider that our Group is capable of carrying on our business independently of Dr. Ye and Ms. Cao and their close associates after the [REDACTED] for the reasons set out below.

Management Independence

Upon our [REDACTED], our Board consists of three executive Directors and three independent non-executive Directors. Upon our [REDACTED], we have three Supervisors and our senior management team comprises three members. The table below sets out the position of Dr. Ye and Ms. Cao in our Company.

Position in our Company

Dr. Ye	Chairman of the Board and Executive Director
Ms. Cao	Executive Director and General Manager

Details of the background of Dr. Ye and Ms. Cao are set out in the section headed "Directors, Supervisors and Senior Management" in this Document.

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. The other executive Director and other members of our senior management team are independent of Dr. Ye and Ms. Cao. Notwithstanding the roles of Dr. Ye and Ms. Cao described above, our Directors are of the view that our Company is able to function independently from Dr. Ye and Ms. Cao for the following reasons:

- (i) all of the other Directors are independent of Dr. Ye and Ms. Cao and decisions of the Board require the approval of a majority vote from the Board;

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- (ii) we have appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole;
- (iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;
- (iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and 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; and
- (v) each of our Directors is aware of his or her fiduciary duties and responsibilities under the Hong Kong Listing Rules as a director, which require that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests.

Based on the above, we believe that our Board and senior management as a whole are able to play a managerial role at our Company independently from Dr. Ye and Ms. Cao and their close associates after the [REDACTED].

Operational Independence

We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from Dr. Ye and Ms. Cao and their close associates. We have independent access to suppliers and customers. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Directors are of the view that there is no operational dependence by us on Dr. Ye and Ms. Cao and our Group is able to operate independently from Dr. Ye and Ms. Cao after the [REDACTED].

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Financial Independence

Our Group has its own independent financial system, internal control and accounting systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with Dr. Ye and Ms. Cao. We have made tax filings and paid tax independently of Dr. Ye and Ms. Cao pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and a strong credit profile to support our daily operation. We do not expect to rely on Dr. Ye and Ms. Cao or any of their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED].

As of the Latest Practicable Date, there was no outstanding loan extended by Dr. Ye, Ms. Cao or their respective close associates to us and no guarantee has been provided for our benefit by Dr. Ye, Ms. Cao or any of their respective close associates.

Based on the above, our Company considers there is no financial dependence on Dr. Ye and Ms. Cao or any of their close associates.

COMPETITION

As of the Latest Practicable Date, neither Dr. Ye, Ms. Cao and their respective close associates nor any of our Directors is interested in any business, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

In order to avoid any potential competition between Dr. Ye, Ms. Cao and us, Dr. Ye and Ms. Cao had provided a non-competition undertaking in favor of our Company on March 21, 2011 (the "Non-competition Undertaking"). Each of Dr. Ye and Ms. Cao has undertaken that:

- (i) neither himself/herself nor any of his/her directly or indirectly controlled companies or entities will engage in any business or operation in competition with the business of our Group;
- (ii) in the event that our Group further expands its scope of business, neither himself/herself nor any of their directly or indirectly controlled companies or entities will engage in any business or operation in competition with the business of our Group. If there is any competition with our Group following expansion of our business scope, he/she or the relevant directly or indirectly controlled companies or entities will discontinue the business in competition, or consolidate the business in competition into our Group, or transfer the business in competition to an independent third party which is not a connected person of our Group; and
- (iii) if the above non-competition undertaking is proven to be untrue or if Dr. Ye or Ms. Cao fails to comply with the above non-competition undertaking, he/she agrees to indemnify our Company for all the direct and indirect losses our Company may suffer as a result of such breach.

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CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Dr. Ye or Ms. Cao:

- (i) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with Dr. Ye, Ms. Cao or their respective close associates, our Company will comply with the applicable Listing Rules;
- (ii) where a Shareholders meeting is to be held for considering proposed transactions in which Dr. Ye, Ms. Cao or their respective close associates have any material interest, Dr. Ye and/or Ms. Cao and their respective close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for the voting;
- (iii) our Board consists of a balanced composition of executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed “Directors, Supervisors and Senior Management” individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and Dr. Ye or Ms. Cao and provide impartial and professional advice to protect the interest of our minority Shareholders;
- (iv) where the advice from an independent professional, such as that from a financial or legal advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company’s expenses; and
- (v) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable Hong Kong laws.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Dr. Ye and Ms. Cao, and to protect minority Shareholders’ rights after the [REDACTED].