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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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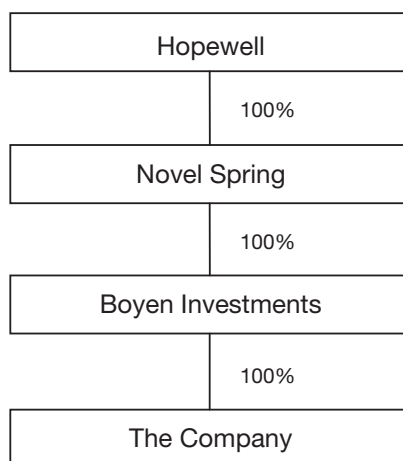
### OVERVIEW

As at the Latest Practicable Date, Hopewell owned, through its wholly-owned subsidiaries, 100% of the issued share capital of and 100% of the voting rights in the Company. Immediately after completion of the Global Offering, the Company will remain a subsidiary of Hopewell and will be indirectly owned by Hopewell, through Novel Spring and Boyen Investments, as to approximately 81.5% of its issued share capital (without taking into account any Shares which may be sold by Boyen Investments pursuant to the exercise of the Over-allotment Option).

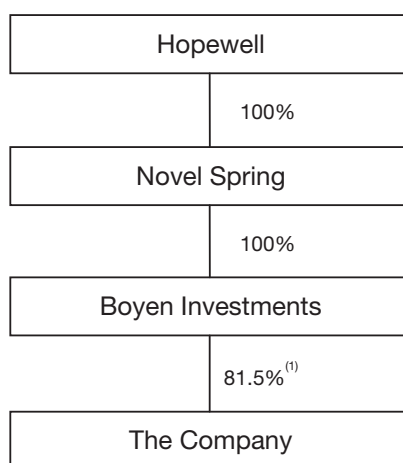
Save as mentioned above, there is no other person who will, immediately following completion of the Global Offering, be directly or indirectly interested in 30% or more of the Shares then in issue.

The shareholding relationship between the Company and Hopewell (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Global Offering is set out below:

#### As at the Latest Practicable Date



#### Immediately following completion of the Global Offering



Note:

(1) Without taking into account any Shares which may be sold by Boyen Investments pursuant to the exercise of the Over-allotment Option.

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### BACKGROUND OF OUR CONTROLLING SHAREHOLDER

Hopewell is a public company incorporated with limited liability in Hong Kong, which has been listed on the Main Board of the Stock Exchange since 21 August 1972 (stock code: 54). The Hopewell Group is principally engaged in the businesses of property development and investment, property related services and hospitality in Hong Kong and the PRC, power and highway infrastructure. The Hopewell Group's highway infrastructure business is carried out through its subsidiary, Hopewell Highway. Hopewell Highway and its subsidiaries and jointly controlled entities were spun off from Hopewell, and separately listed on the Main Board of the Stock Exchange on 6 August 2003 (stock codes: 737 (Hong Kong dollar counter) and 80737 (Renminbi counter)).

The Group has entered into certain connected transactions with some of the companies and/or their subsidiaries listed above, which will continue to be in effect after the Listing. For details of such transactions, please refer to *"Connected Transactions"*.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

The Board is satisfied that, on the basis of the following information, the Group is capable of operating independently of the Controlling Shareholder and its associates after the Listing:

#### Clear delineation of business

The businesses of the Group comprise property development and investment, property related services and hospitality businesses in Hong Kong (the **"Group Businesses"**). While there is no restriction on the scope or geographical locations of our business activities that we are permitted to enter into, after the Listing, it is our current strategy to focus on the Group Businesses only and it is not our present intention to diversify our business outside Hong Kong.

The Remaining Group will continue to engage in the businesses of (i) property development and investment, property related services and hospitality in the PRC; and (ii) power (together, the **"Remaining Group Businesses"**). Hopewell, however, will continue to retain ownership of the Nam Koo Property, the Miu Kang Property and the Retained Car Park Lots (each as defined below in *"— Excluded Properties in Hong Kong"*) through the Remaining Group after the Listing for the reasons set out in *"— Excluded Properties in Hong Kong"* below.

#### *Excluded Properties in Hong Kong*

Our Controlling Shareholder will retain the following properties after the Listing through the Remaining Group:

##### A. The Nam Koo Property

The Remaining Group acquired the Nam Koo Property, comprising five lots of land situated on Ship Street and Hillside Terrace, Wan Chai, Hong Kong between 1981 and 1988, (i) upon one of which an abandoned four-storey school building is situated; (ii) upon another of which Nam Koo Terrace, a two-storey house, is situated; and (iii) the remaining three of which are vacant sites. The carrying value of the Nam Koo Property as recorded in the financial statements of Hopewell as at 31 March 2013 is HK\$47.1 million, representing approximately 0.1% of the value of the properties attributable to the Group as at 31 March 2013 as disclosed in *"Appendix IV — Property Valuation"*. The properties built upon the Nam Koo Property have a total GFA of approximately 23,039 sq. ft.

The town plan zoning of the Nam Koo Property was changed from "residential use" to "open space" in 1994 and Nam Koo Terrace is currently classified as a Grade 1 historical building by the Antiquities and Monuments Office of the Hong Kong Government. While Hopewell intends to negotiate with the Hong Kong Government to change the current town plan zoning of the Nam Koo Property to allow for development or redevelopment while preserving Nam Koo Terrace, the outcome

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of, and timeframe for, such negotiations (the “**Negotiations**”) are highly uncertain and not within the control of Hopewell.

As advised by an independent professional property valuer, under the current town plan zoning for the Nam Koo Property and given the issues, problems and uncertainties regarding the redevelopment of the Nam Koo Property, there is no proper basis to formulate the necessary assumptions, and as such, it is not possible to carry out a reasonably accurate valuation in respect of the Nam Koo Property.

Given the above, we consider that the Nam Koo Property currently has insignificant commercial value and there would be limited benefits should it be included in the Group at this time.

Hopewell considers that as the Nam Koo Property cannot be transferred to the Group at an appropriate market valuation or price at this time, it would be more appropriate for the Remaining Group to retain the Nam Koo Property in order to protect the interests of the Hopewell Shareholders.

To balance the interests of the Remaining Group and the Group, conditional upon the conditions for completion of the Global Offering mentioned in “*Structure of the Global Offering — Conditions of the Global Offering*” being fulfilled or waived as mentioned therein:

- (i) Hopewell has granted the Company a sole and exclusive option (the “**Nam Koo Option**”), exercisable by the Company at any given time (a) after the restrictions on the development or redevelopment of the Nam Koo Property are removed (whether as a result of a change in the town plan zoning or otherwise), or (b) after the Company receives notification in writing from Hopewell that the Negotiations have ceased, whether because Hopewell has decided to terminate such Negotiations prematurely for whatsoever reason or the Negotiations have come to a conclusion irrespective of the results thereof or otherwise, to require Hopewell or its relevant subsidiary to sell or procure to be sold to the Company or the subsidiary or subsidiaries designated by the Company all the issued shares in the capital of, and all the shareholder’s loans (if any) to, Maryfield Investments Limited, a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of Hopewell (which owns 100% of the issued shares in Yuba Company Limited, which in turn is the owner of the Nam Koo Property) at a total consideration (the “**Nam Koo Option Price**”) equal to the adjusted consolidated net asset value of Maryfield Investments Limited to be ascertained from the completion accounts to be prepared and computed in accordance with the requirements provided in the agreement governing the grant of the Nam Koo Option (the “**Nam Koo Option Agreement**”), in particular, the value of the Nam Koo Property shall be replaced by the fair market price of the Nam Koo Property to be determined by reference to an independent valuation. Hopewell has also undertaken that for so long as the Nam Koo Option subsists, except as required by the Company as mentioned in sub-paragraph (ii) below, or as expressly permitted under sub-paragraph (iii) below, no change shall be made in the shareholding structure of Maryfield Investments Limited or Yuba Company Limited or in the ownership of Yuba Company Limited over any part of the Nam Koo Property without the prior written consent of the Company, where the giving of such consent shall be at the absolute discretion of the Company and, if given, may be subject to such condition(s), if any, as the Company may reasonably impose; and the Nam Koo Option will automatically lapse upon Yuba Company Limited having sold, transferred or otherwise disposed of all its interest in the Nam Koo Property provided that such sale, transfer or disposal is effected without breaching any of the terms of the Nam Koo Option Agreement;
- (ii) Hopewell has also agreed that where the restriction from development or redevelopment is lifted or removed in respect of only part of the Nam Koo Property, the Company shall have the right (a) to require Hopewell to procure that such part of the Nam Koo Property which is still being restricted from being developed or redeveloped to be transferred out of Yuba Company Limited to another wholly-owned subsidiary of Hopewell which is acceptable to the Company (the “**New Subsidiary**”) at a cash consideration equal to its value to be

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ascertained from the latest financial statement of Yuba Company Limited (the “**Transfer**”) and to grant the Company an option over the entire issued share capital of and all the shareholder’s loan to the New Subsidiary, and the terms of the Nam Koo Option shall, *mutatis mutandis*, apply to such option, and (b) to exercise the Nam Koo Option on the basis that the Transfer has been effected and, in determining the Nam Koo Option Price, the value of the Nam Koo Property referred to in sub-paragraph (i) above shall not include any value attributable to such part of the Nam Koo Property which is to be transferred to the New Subsidiary pursuant to the Transfer;

- (iii) Hopewell has granted the Group a right of first refusal (the “**Nam Koo Right**”) (in addition to the Nam Koo Option as set out in sub-paragraph (i) above), exercisable in the event that Hopewell or its relevant subsidiary proposes to sell, transfer or otherwise dispose of the whole or any part(s) of the Nam Koo Property to any third party(ies), whether independent or not, regardless of whether the Negotiations have concluded or not, to acquire the whole, or such part(s) and/or any other part(s), of the Nam Koo Property at:
  - (a) the price at which it is proposed to be sold, transferred or otherwise disposed of by Hopewell or its relevant subsidiary to any third party(ies) (the “**Intended Nam Koo Sale Price**”); or
  - (b) if the Intended Nam Koo Sale Price relates to the sale of a part or parts of the Nam Koo Property which is or are different from the part or parts of the Nam Koo Property in respect of which the Nam Koo Right is exercised, a fair market price to be determined by reference to an independent valuation.

If the Company does not exercise the Nam Koo Right, the Remaining Group would be permitted to dispose of the relevant part of (or, where relevant, the whole of) the Nam Koo Property to any third party(ies) at a price no less than the Intended Nam Koo Sale Price; and

- (iv) Hopewell has agreed to provide the Company with updates on the status of the Negotiations quarterly and when there is any significant development in the Negotiations, and has undertaken that, for as long as it remains as a controlling shareholder (as defined in the Listing Rules) of the Company, the Remaining Group will not develop or redevelop the Nam Koo Property or any part thereof (the “**Nam Koo Undertaking**”).

For FY2011 and FY2012, the net loss (both before and after taxation) attributable to the Nam Koo Property was less than HK\$1.0 million for both years.

Given the facts and circumstances concerning the Nam Koo Property mentioned above, and in view of the Nam Koo Option, the Nam Koo Right and the Nam Koo Undertaking that have been granted/given by Hopewell in favour of us, it is considered that the Remaining Group’s continued interest in the Nam Koo Property will not affect the delineation of the Group Businesses from the Remaining Group Businesses.

### B. The Miu Kang Property

The Remaining Group has acquired a number of units of Miu Kang Terrace for the purpose of site amalgamation and which are intended eventually to be used for the possible aggregation with the Nam Koo Property. Miu Kang Terrace is located immediately adjacent to the Nam Koo Property.

As at the Latest Practicable Date, the units of Miu Kang Terrace that were successfully acquired by the Remaining Group (together, the “**Miu Kang Units**”) have a total GFA of approximately 14,868 sq. ft. and together represent approximately 92.1% of all the undivided shares of the lot of land upon which Miu Kang Terrace is situated (the “**Miu Kang Lot**”). The Remaining Group’s level of interest in the Miu Kang Units has reached the required application threshold for compulsory sale in respect of all of the undivided shares of the Miu Kang Lot (including the remaining units) pursuant to the Land

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(Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong) (the “**Compulsory Sale**”). The Remaining Group intends to acquire the remaining units of Miu Kang Terrace and, where necessary, through the Compulsory Sale.

The Miu Kang Lot, on its own, has limited development or redevelopment potential due to the minimal difference between the existing GFA of the Miu Kang Lot and upon development/redevelopment, the permitted GFA under various existing restrictions and therefore, it currently has limited commercial value or benefit. The market value (as at 31 March 2013) of the interests in the Miu Kang Units held by the Remaining Group as at the Latest Practicable Date represents less than 0.4% of the value of the properties attributable to the Group as at 31 March 2013 as disclosed in “*Appendix IV – Property Valuation*”.

However, if the Negotiations are successful, the Miu Kang Lot can be developed along with the Nam Koo Property and such possibility will significantly raise their commercial value. In addition, it is believed that the retention of the Miu Kang Units along with the Nam Koo Property by the Remaining Group will also give Hopewell flexibility in the Negotiations with the Hong Kong Government, such as potential development/redevelopment schemes concerning the Nam Koo Property together with the Miu Kang Lot. If the restrictions on the development or redevelopment of the Nam Koo Property are removed, it is our current intention to acquire the Nam Koo Property and the Miu Kang Property.

As explained in “*The Nam Koo Property*” above, the uncertainties associated with the Negotiations mean that it is not appropriate to determine at this stage the value of the Remaining Group’s interest in the Miu Kang Units on the basis that both the Miu Kang Lot and the Nam Koo Property can be developed/redeveloped together. In light of the above, the Hopewell Board considers that it is not in the best interest of Hopewell and its shareholders, and there is currently limited commercial benefit to the Group, for the Remaining Group’s interest in the Miu Kang Units to be included in the Group.

To balance the interests of the Remaining Group and the Group, conditional upon the conditions for completion of the Global Offering mentioned in “*Structure of the Global Offering – Conditions of the Global Offering*” being fulfilled or waived as mentioned therein:

- (i) Hopewell has granted the Company a sole and exclusive option (the “**Miu Kang Option**”), exercisable by the Company to require Hopewell or its relevant subsidiaries to sell or procure to be sold to the Company or the subsidiary or subsidiaries designated by the Company all the issued shares in the capital of, and all the shareholder’s loans (if any) to, the subsidiaries of Hopewell (the “**Miu Kang Subsidiaries**”) which directly or indirectly own the Miu Kang Property (such subsidiaries being special purpose vehicles formed solely for the purpose of acquiring and holding the Miu Kang Properties) at a total consideration (the “**Miu Kang Option Price**”) equal to the adjusted net asset value or (where relevant) the adjusted consolidated net asset value of the Miu Kang Subsidiaries to be ascertained from the completion accounts to be prepared and computed in accordance with the requirements provided in the agreement governing the grant of the Miu Kang Option (the “**Miu Kang Option Agreement**”), in particular, the value of the Miu Kang Property shall be replaced by the fair market price of the Miu Kang Property to be determined by reference to an independent valuation. The Miu Kang Option is exercisable by the Company at any time where the Nam Koo Option is exercisable. Hopewell has also undertaken that for so long as the Miu Kang Option subsists, except as required by the Company as mentioned in subparagraph (ii) below, no change shall be made in the shareholding structure of the Miu Kang Subsidiaries or in the ownership of the Miu Kang Subsidiaries over any part of the Miu Kang Property without the prior written consent of the Company, where the giving of such consent shall be at the absolute discretion of the Company and, if given, may be subject to such condition(s), if any, as the Company may reasonably impose; and the Miu Kang Option will automatically lapse upon the entire interest in the Miu Kang Property having been sold, transferred or otherwise disposed of by the Miu Kang Subsidiaries provided that such sale,

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transfers or disposals are effected without breaching any of the terms of the Miu Kang Option Agreement;

- (ii) Hopewell has granted the Group a right of first refusal (the “**Miu Kang Right**”) (in addition to the Miu Kang Option set out in sub-paragraph (i) above), exercisable in the event that Hopewell or its relevant subsidiary(ies) propose(s) to sell, transfer or otherwise dispose of the whole or any part(s) of the Miu Kang Property to any third party(ies), whether independent or not, regardless of whether the Negotiations have concluded or not, to acquire the whole, or such part(s) and/or any other part(s) of the Miu Kang Property at:
  - (a) the price at which it is proposed to be sold, transferred or disposed of by Hopewell or its relevant subsidiary(ies) (the “**Intended Miu Kang Sale Price**”); or
  - (b) if the Intended Miu Kang Sale Price relates to the sale of a part or parts of the Miu Kang Property which is or are different from the part or parts of the Miu Kang Property in respect of which the Miu Kang Option is exercised, a fair market price to be determined by reference to an independent valuation.

If the Company does not exercise the Miu Kang Right, the Remaining Group would be permitted to dispose the relevant part of the Miu Kang Property (or, where relevant, the whole thereof) to any third party(ies) at a price no less than the Intended Miu Kang Sale Price; and

- (iii) Hopewell has undertaken that, for as long as it remains a controlling shareholder (as defined in the Listing Rules) of the Company, the Remaining Group will not develop or redevelop the Miu Kang Property or any part thereof (the “**Miu Kang Undertaking**”).

For FY2011 and FY2012, the net profit (both before and after taxation) attributable to the Miu Kang Property was less than HK\$1.0 million and approximately HK\$1.0 million respectively.

Since the responsible team of personnel of the Group will continue to be responsible for the acquisitions of the remaining units of Miu Kang Terrace as explained in “*Appendix VII – Statutory and General Information*”, the Group will be aware of the status of the amalgamation of the Miu Kang Property.

Given the facts and circumstances concerning the Miu Kang Property mentioned above, and in view of the Miu Kang Option, the Miu Kang Right and the Miu Kang Undertaking that has been granted / given by Hopewell to the Company and the insignificance and immateriality of the Hopewell Group’s interest in the Miu Kang Units as compared to the aggregate market value of the Group’s completed property portfolio, it is considered that the Remaining Group’s interest in the Miu Kang Units will not affect the delineation of the Group Businesses from the Remaining Group Businesses.

### C. The Retained Car Park Lots

The Remaining Group holds approximately 46% of a joint venture company (the “**JV Company**”) which beneficially owns 33 car park lots in Shun Tak Centre, Sheung Wan, Hong Kong (the “**Retained Car Park Lots**”). The remaining interest in the JV Company of approximately 54% is held by another Hong Kong-listed property developer (the “**JV Partner**”), which also controls the board of directors of the JV Company.

There are ongoing disputes with the leasing agent of the JV Company relating to the Retained Car Park Lots. Furthermore, the legal title over the Retained Car Park Lots has not yet been assigned to the JV Company.

Based on the valuation of the Retained Car Park Lots (assuming that they are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their value) as at

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31 March 2013 of HK\$66 million, the Remaining Group's 46% effective interest in the Retained Car Park Lots represents less than 0.1% of the total property value attributable to the Group as at 31 March 2013 as disclosed in "Appendix IV – Property Valuation". The valuation was assessed by an independent property valuer. Furthermore, given the Group's principal business is not in the car parking industry and that the Retained Car Park Lots are not located within close proximity to the car park assets of the Group, we consider that any competition between the Group's car park assets and the Retained Car Park Lots should be minimal.

To balance the interests of the Remaining Group and the Group, conditional upon the conditions for completion of the Global Offering mentioned in "Structure of the Global Offering – Conditions of the Global Offering" being fulfilled or waived as mentioned therein, Hopewell has granted to the Company a right of first refusal (the "**Retained Car Park Lots Related Right**"), exercisable in the event that Hopewell proposes to sell, transfer or otherwise dispose of all or any part of its interest in the JV Company (the "**Sale Interest**") to any third party(ies), whether independent or not, to acquire the Sale Interest at the same price at which the Sale Interest is proposed to be sold, transferred or disposed of by Hopewell (the "**Intended Price for the Sale Interest**"). If the Company does not exercise the Retained Car Park Lots Related Right, Hopewell would be permitted to sell, transfer or otherwise dispose of the Sale Interest to any third party(ies) at a price no less than the Intended Price for the Sale Interest. Hopewell has undertaken that for so long as the Retained Car Park Lots Related Right subsists, it shall remain holding its interest in the JV Company directly except with the prior written consent of the Company, where the giving of such consent shall be at the absolute discretion of the Company and, if given, shall be subject to such condition(s), if any, as the Company may reasonably impose.

Taking into account (i) the ongoing disputes mentioned above; (ii) that the car-park operation business is not the Group's principal business and therefore, both Hopewell and the Company consider that the ownership of the Retained Car Park Lots is not part of the future business strategies of the Group; and (iii) that the Retained Car Park Lots represent a very insignificant value to the overall property portfolio of the Group, the Directors consider that it would not be necessary for the Remaining Group to grant an option to the Group to acquire the Remaining Group's interests in the JV Company.

Considering the above facts and circumstances, and in view of the granting of the Retained Car Park Lots Related Right to the Company, the Hopewell Board does not consider Hopewell's interest in the Retained Car Park Lots to be a sufficiently material asset to affect the delineation of the Group Businesses from the Remaining Group Businesses.

In considering whether to exercise the Nam Koo Option, the Nam Koo Right, the Miu Kang Option, the Miu Kang Right and the Retained Car Park Lots Related Right (together the "**Options and Rights**", and "**Right**" or "**Option**" means the relevant one of them) that Hopewell has granted to the Group as mentioned above, the Group will take into account all relevant factors and circumstances (including, but not limited to, the relevant legal, regulatory, financial and other commercial considerations) then subsisting. As required under the Articles of Association, and under Rule 13.44 of the Listing Rules, only those Directors who and whose associates have no material interest in the exercise of the relevant Option or Right will be entitled to vote on any resolution of the board of Directors approving such exercise.

With respect to the exercise of the Options and Rights, (i) the Company will comply with the applicable requirements under Chapter 14 and/or 14A of the Listing Rules (including, where applicable, independent Shareholders' approval requirement pursuant to which common shareholders of Hopewell and the Company who are materially interested in the decision on the exercise of the relevant Option or Right would be required to abstain from voting on the resolutions approving the same); and (ii) the Company and Hopewell will, pursuant to Rule 14.74(2) of the Listing

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Rules, announce such exercise by means of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as reasonably practicable.

The Spin-off was approved by the Hopewell Shareholders at Hopewell's extraordinary general meeting held on 23 May 2013. The granting of the Options and the Rights, the Nam Koo Undertaking, and the Miu Kang Undertaking to the Company by Hopewell, as well as the entering into of the Deed of Non-competition by Hopewell in favour of the Group, form part and parcel of the arrangements contemplated under the Spin-off and Hopewell has provided information relating thereto to the Hopewell Shareholders for their consideration in approving the Spin-off.

Save as mentioned above, Hopewell and its subsidiaries (including the Hopewell Highway Group which focuses on highway infrastructure business but excluding the Group) do not, and do not intend to, engage in any business activities that compete, or are likely to compete, either directly or indirectly, with those of the Group for so long as Hopewell remains our controlling shareholder (as defined in the Listing Rules).

### *Deed of Non-competition*

Hopewell has entered into the Deed of Non-competition in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which Hopewell, irrevocably and unconditionally, undertakes to us that with effect from the Listing Date and for as long as the Shares remain so listed on the Stock Exchange, and Hopewell is our controlling shareholder (as defined under the Listing Rules from time to time) and remains the single largest Shareholder, Hopewell shall not, and shall procure that none of the Parent Group shall, directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or otherwise be involved in the Restricted Business save for:

- (i) the Remaining Group's interest in the Nam Koo Property, the Miu Kang Property and the Retained Car Park Lots; and
- (ii) the holding of not more than 5% shareholding interests (individually or collectively with Hopewell's associates) in any listed company in Hong Kong.

For the purpose of the Deed of Non-competition, "Restricted Business" means:

- (i) property investment in Hong Kong, comprising property letting, agency and management in Hong Kong;
- (ii) hotel, restaurant and catering operations in Hong Kong, comprising ownership and management of hotels in Hong Kong, restaurant operations in Hong Kong and food catering in Hong Kong; and
- (iii) property development in Hong Kong, comprising the development and/or sale of properties in Hong Kong, property under development in Hong Kong and project management for properties in Hong Kong.

The Deed of Non-competition also provides that:

- (i) Hopewell shall provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (ii) Hopewell shall provide us with written confirmation of its compliance with the Deed of Non-competition and consent to the inclusion of such confirmation in our annual report.



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Our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by Hopewell. We will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition through our annual report.

### Financial independence

Following the Listing, our financial system will be independent from that of our Controlling Shareholder and its associates, and the Group will make financial decisions according to our own business needs.

Hopewell has entered into various financial assistance arrangements in connection with the 200 Queen's Road East Project. Details of such arrangements which still subsist and/or will remain in place after the Listing are set out as follows:

- (i) Hopewell and Sino Land, as guarantors, entered into a deed of guarantee dated 8 July 2011 (the **"200 QRE Facility Guarantee"**). Pursuant to the 200 QRE Facility Guarantee, Hopewell and Sino Land have provided several guarantees (limited to 50% of HK\$5.0 billion for each of Hopewell and Sino Land) in respect of the obligations of Grand Site under an agreement entered into on 8 July 2011 between Grand Site as borrower and a syndicate of banks (the **"200 QRE Facility Agreement"**) in respect of a HK\$5.0 billion facility (the **"200 QRE Facility"**). The guarantee obligations of Hopewell under the 200 QRE Facility Guarantee will subsist until, among others, final payment has been made by Grand Site of, including but not limited to, all loans and all interest accrued thereon, and all other amounts due from, owing or payable by Grand Site under the 200 QRE Facility Agreement or any of its other ancillary documents entered into by Grand Site, in accordance with the terms thereof. Unless extended, the 200 QRE Facility will mature in January 2015;
- (ii) Hopewell and Sino Land, as covenantors, entered into a funding agreement dated 8 July 2011 in favour of the agent of financing parties in respect of the 200 QRE Facility (the **"200 QRE Facility Funding Agreement"**). Pursuant to the 200 QRE Facility Funding Agreement, Hopewell and Sino Land have undertaken, among others, to fund Grand Site certain payments relating to the 200 Queen's Road East Project (limited to 50% of such payments) and to ensure and procure Grand Site to duly complete the 200 Queen's Road East Project as required under the 200 QRE Facility Agreement. The obligations of Hopewell under the 200 QRE Facility Funding Agreement will subsist until, among others, all loans and all interest accrued on, and all other amounts due from, owing or payable under or in respect of the 200 QRE Facility Agreement and its other ancillary documents entered into by Grand Site have been discharged in full and all lenders' commitments under all facilities under the 200 QRE Facility Agreement have been reduced to zero, or Hopewell has duly fulfilled all its obligations under the 200 QRE Facility Funding Agreement (as the case may be);
- (iii) Hopewell and Sino Land, as covenantors, entered into a funding agreement dated 14 July 2009 in favour of the URA (the **"200 QRE Project Funding Agreement"**). Pursuant to the 200 QRE Project Funding Agreement, Hopewell and Sino Land have severally undertaken to pay the URA such funds as may be required by the URA for the purpose of completing the 200 Queen's Road East Project to the standard and in the manner contemplated under the Development Agreement in the event that the Development Agreement is terminated prior to the completion of the 200 Queen's Road East Project by Grand Site. Hopewell has obtained the necessary consents from, among others, Sino Land and the URA for the replacement of Hopewell by the Company under the 200 QRE Project Funding Agreement subject to, among others, completion of the Listing. As such, Hopewell will have no obligations and liabilities under the 200 QRE Project Funding Agreement if they arise on or after the date on which such replacement is effected, which is expected to be on the Listing Date;

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- (iv) Hopewell and Sino Land, as guarantors, and the URA entered into a deed of guarantee dated 14 July 2009 (the “**200 QRE Development Guarantee**”). Pursuant to the 200 QRE Development Guarantee, Hopewell and Sino Land have provided several guarantees (limited to 50% for each of Hopewell and Sino Land) in respect of the obligations of Grand Site under the Development Agreement. The Company has obtained the necessary consents from, among others, Sino Land and the URA for the replacement of Hopewell by the Company as a guarantor under the 200 QRE Development Guarantee subject to, among others, completion of the Listing. As such, Hopewell will have no obligations and liabilities under the 200 QRE Development Guarantee if they arise on or after the date on which such replacement is effected, which is expected to be on the Listing Date; and
- (v) Hopewell and Sino Land, as guarantors, entered into a deed of guarantee dated 22 August 2012 (the “**200 QRE Pre-sale Guarantee**”). Pursuant to the 200 QRE Pre-sale Guarantee, Hopewell and Sino Land have provided several guarantees (limited to 50% of HK\$2,061,871,735.08 for each of Hopewell and Sino Land) in respect of the obligations of Grand Site under the facility letter dated 20 March 2013 issued to Grand Site by The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) (the “**HSBC Facility**”), which has been accepted by Grand Site and is currently still in force. Pursuant to the HSBC Facility, HSBC has agreed to grant to Grand Site a banking facility by way of providing a letter of undertaking of up to HK\$2,061,871,735.08 (being the outstanding development cost of the 200 Queen’s Road East Project as at 30 June 2012) in favour of the Hong Kong Government (the “**HSBC Undertaking**”) for the purpose of facilitating Grand Site’s application to the Hong Kong Government for the pre-sale consent of the residential units and car parking spaces of the 200 Queen’s Road East Project (the “**Pre-Sale Consent Application**”). The obligations of Hopewell under the 200 QRE Pre-Sale Guarantee will effectively cease upon the expiry of the term of the HSBC Undertaking, which is on 31 March 2017 or when the amount under the HSBC Facility has been reduced to zero, whichever is earlier.

The obligations of Hopewell pursuant to the 200 QRE Facility Guarantee, the 200 QRE Facility Funding Agreement and the 200 QRE Pre-sale Guarantee are together referred to as the “**Financial Assistance Arrangements**”.

As the Financial Assistance Arrangements will remain in place after the Listing, the Group’s proportionate exposure to the facility arrangement under the Financial Assistance Arrangements shall be approximately HK\$3.5 billion, which accounts for approximately only 9.7% of the Group’s total assets as at 31 December 2012. For the reasons mentioned below, it is necessary for the Financial Assistance Arrangements to remain in place after the Listing and would be unnecessary or not in the best interests of the Company for Hopewell to be replaced by the Company as a guarantor or covenantor (as the case may be) under the Financial Assistance Arrangements:

- (i) in relation to the 200 QRE Facility Guarantee and the 200 QRE Facility Funding Agreement, the replacement of Hopewell by the Company as guarantor or covenantor (as the case may be) requires consent from all members of the syndicate of lenders under the 200 QRE Facility Agreement and Sino Land, which would be complex and unduly onerous for the Company;
- (ii) given the prevailing economic climate where financial institutions will be more likely to impose stricter or less favourable terms for banking facilities, a replacement of Hopewell by the Company as guarantor or covenantor (as the case may be) under the 200 QRE Facility Guarantee, 200 QRE Facility Funding Agreement and 200 QRE Pre-sale Guarantee would likely involve renegotiation with the relevant lenders concerning new terms and conditions that may be less favourable than the existing ones. Given Sino Land’s interest in the 200 Queen’s Road East Project, any unfavourable changes in the terms and conditions of the 200 QRE Facility Agreement or HSBC Facility would adversely affect Sino Land’s interests, and thus we consider that it is unlikely that the necessary consent from Sino Land can be obtained to effect such replacement;

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- (iii) the 200 QRE Facility Agreement (in respect of Grand Site's obligations thereunder, Hopewell acts as a guarantor and a covenantor under the 200 QRE Facility Guarantee and the 200 QRE Facility Funding Agreement respectively) will, according to its current terms, mature in January 2015, which is only approximately one and a half years from the Listing Date. Furthermore, after the pre-sale of the residential portion of the 200 Queen's Road East Project has commenced (such pre-sale is currently scheduled to commence in 2013), the amount borrowed under the 200 QRE Facility will be procedurally repaid; and
- (iv) the replacement of Hopewell by the Company as a guarantor in respect of the HSBC Facility requires the consent of HSBC, and similar reasons as mentioned in (ii) above also apply to such replacement. Furthermore, the substitution of the HSBC Undertaking by a new letter of undertaking by another bank (even if there is another bank willing to provide it) is likely to delay the approval of the Pre-sale Consent Application, thus causing a delay in the pre-sale of residential units and car parking spaces of the 200 Queen's Road East Project and resulting in a delay in the revenue generation of the 200 Queen's Road East Project, and therefore, is not in the best interests of the Company and the Shareholders as a whole.

Previously, certain facilities were utilised by the Remaining Group for the purpose of providing utility deposit guarantees required by the Group. Currently, instead of the Remaining Group utilising its facilities to provide such guarantees, such guarantees are either provided by utilising facility obtained by the Group for such purpose which is guaranteed by the Company, or released by having the amount secured by such guarantee fully settled.

Notwithstanding that the Financial Assistance Arrangements will remain in place after the Listing, we believe that the Group is able to operate financially independently from our Controlling Shareholder and its associates and the Group's financial independence is demonstrated in the following aspects:

- **Intra-group loans:** As at 31 December 2012, an aggregate principal amount of approximately HK\$3,700.0 million was drawn down under the HKD Revolving Facility (which was obtained by the Remaining Group and guaranteed by Hopewell) and on-lent to the Group, being the Outstanding Borrowings. Such amount was accounted for as bank borrowings in the audited combined statements of financial position of the Group as at 31 December 2012. As at 31 March 2013, the amount of the Outstanding Borrowings remained at approximately HK\$3,700.0 million.

The Group has obtained the Refinancing Facility, being a loan facility of an aggregate principal amount of HK\$4,000.0 million, of which HK\$3,700.0 million has been applied by the Group for the purposes of repaying the Outstanding Borrowings in full. Of the HK\$3,700.0 million drawn under the Refinancing Facility, HK\$2,000.0 million will mature in May 2015 and the remaining HK\$1,700.0 million of which will mature in November 2013. Of the said HK\$1,700.0 million drawn under the Refinancing Facility, we intend to finance the repayment of which by using part of the net proceeds from the Global Offering as disclosed under "Use of Proceeds". The Refinancing Facility bears interest rates ranging from HIBOR plus 0.88% to 1.12% per annum as compared with HIBOR plus 0.32% per annum for the HKD Revolving Facility. The guarantee given by Hopewell in respect of the Refinancing Facility will be released and discharged upon Listing in accordance with the terms of such guarantee. As such, following Listing, the Refinancing Facility will be guaranteed solely by the Company.

In addition to the Outstanding Borrowings, there are net outstanding intra-group loans owing by the companies within the Group to the Remaining Group (the "**Outstanding Intra-group Loans**"). The amount of the Outstanding Intra-group Loans amounted to approximately HK\$10,384.5 million as at 30 April 2013.

The Outstanding Intra-group Loans will be fully settled by way of the Capitalisation Issue, pursuant to which the Company will issue 500,000,000 Shares to Boyen Investments

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credited as fully paid up subject to and simultaneous with the completion of the Global Offering, such Shares to rank *pari passu* in all respects with the Shares then in issue.

After the Listing, the Group will no longer be required to obtain funding from a centralised source within the Hopewell Group via intra-group lending and will have its own source of funding and such funds will be managed by the Group itself.

- **Strong financial position:** The Group's business operations are in relatively matured and developed markets. The Group has a strong financial position, which is demonstrated by the following factors:
  - (i) *Low level of bank leverage* — as at 31 December 2012 the Group had cash and bank balances of approximately HK\$15.3 million and bank borrowings of approximately HK\$3,700 million. The net debt to shareholders' equity as at 31 December 2012 was approximately 17.0%. In addition, it should be noted that all of the Group's bank borrowings are long term in nature. Lastly, as mentioned above, the net amount due to the Remaining Group will be capitalised prior to the Listing.
  - (ii) *Low loan to asset ratio and market value ratio* — the value of the Group's total assets (free from encumbrances) was approximately HK\$36.6 billion as at 31 December 2012. The Group's loan to total asset ratio was approximately 10.1% as at 31 December 2012. The loan to market value ratio as at 31 March 2013 based on the value of properties attributable to the Group as at 31 March 2013 (as disclosed in "Appendix IV — Property Valuation") was approximately 8.1%, which demonstrates the total assets and market value of the Group's property portfolio well exceed the Group's total borrowings.
  - (iii) *Strong cashflow from business operations* — according to the audited combined financial statements of the Group, for FY2010, FY2011 and FY2012, the Group generated strong cash flow from its business operations of approximately HK\$414.0 million, HK\$447.9 million and HK\$534.2 million, respectively. We believe that the steady but increasing stream of cashflow generated from the Group's business operations is sufficient to service our long term bank borrowings and obligations as well as other working capital needs.

We believe that we will be able to obtain additional funding (as necessary) without recourse to the Remaining Group based on our record of fund raisings and our strong financial position.

### **Operational and administrative independence**

During the Track Record Period, the Group was operationally and administratively independent from our Controlling Shareholder and its associates. The Company has its own separate management team and separate functional units that focus on, among others, conventions and exhibitions, hotel and catering management, leasing, property and facility management, project management, accounts and human resources, all of which operate independently from the Remaining Group. Accordingly, our Board believes that the Company has been operating independently from our Controlling Shareholder and its associates and will continue to do so after the Listing.

It is proposed that the Remaining Group will continue to provide general office administration services (such as, among others, procurement of office supplies, investor relations management, information technology support, corporate finance services and internal audit) access to the LIS and technical support related thereto, company secretarial services, the services of employees of Remaining Group and certain office equipment and such other services (together, the "**Administrative Services**") as may be requested by the Group from time to time. Hopewell will be paid service fees to be determined based on the cost incurred in providing the Administrative Services which will be allocated to the Group on a fair and equitable basis. The Hopewell Board and

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our Board are of the view that the independence of administrative capability of the Company should not be affected by the provision of the Administrative Services by the Remaining Group to the Group given that such arrangements involve the provision of support functions only.

### INDEPENDENCE OF BOARD AND MANAGEMENT

The Company has a Board and senior management which function independently from our Controlling Shareholder and its associates. We have seven Directors on our Board, comprising four executive Directors and three independent non-executive Directors. Mr. Wing Lam WONG and Mr. Albert Kam Yin YEUNG, executive Directors, are currently executive directors of Hopewell; and Mr. Ahito NAKAMURA, an independent non-executive Director, is currently an independent non-executive director of Hopewell. Mr. Wing Lam WONG, Mr. Albert Kam Yin YEUNG and Mr. Ahito NAKAMURA will resign from their respective roles in Hopewell prior to the Listing Date. Accordingly, save for two Directors, namely Sir Gordon Ying Sheung WU and Mr. Thomas Jefferson WU, who are also, and who will upon Listing remain as, executive directors of Hopewell and Hopewell Highway, all other Directors do not have, or will, before the Listing Date, cease to have, any role in, and is or will be independent of, the Remaining Group.

The senior management team of the Company comprises eleven members, being Mr. Pei Sai LEUNG, Mr. Kam Wai CHAN, Ms. Josephine Wai Fun LAM, Mr. Stuart WANG, Ms. Judy Ngar Yee TSANG, Ms. Edith Tak Ching LEE, Mr. Yat Kei CHAN, Mr. John Chun Yin TU, Mr. Danny Wing Hung FAN, Mr. Danny Ka Pang WONG and Mr. Cho Wa LAW. Save for Mr. Cho Wa LAW, the company secretary of the Company, who also acts as the company secretary of both Hopewell and Hopewell Highway as well as the corporate affairs director of Hopewell, overseeing Hopewell's information technology, corporate communication, human resources and administration functions, all other members of our senior management team will be dedicated to the day-to-day management of the Group Businesses and will not have any management roles in Hopewell and/or Hopewell Highway.

A majority of our senior management team has, throughout FY2012, carried out senior management supervisory responsibilities in the Group Businesses. The responsibilities of our management team involve dealing with operational and financial matters, making general capital expenditure decisions and daily implementation of the business strategy of the Group. This ensures the independence of the daily management and operations of the Group from those of our Controlling Shareholder and its associates. Further details of our Board and senior management team are set out in "*Directors and Senior Management*".

The following table sets out the directorship and/or employment relationship (if any) that the Directors and the senior management team members of the Company had with Hopewell and Hopewell Highway as at the Latest Practicable Date, respectively.

<u>Name</u>	<u>The Company</u>	<u>Hopewell</u>	<u>Hopewell Highway</u>
Sir Gordon Ying Sheung WU	Chairman and executive Director  Participates in the strategic planning and general management but not in the daily operations.	Chairman and executive director  Participates in the strategic planning and general management but not in the daily operations.	Chairman and executive director  Participates in the strategic planning and general management but not in the daily operations.
Mr. Thomas Jefferson WU	Executive Director and managing Director  Participates in the strategic planning, general management and in the daily operations.	Executive director and managing director  Participates in the strategic planning, general management and in the daily operations.	Executive director and managing director  Participates in the strategic planning, general management and in the daily operations.

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Name	The Company	Hopewell	Hopewell Highway
Mr. Wing Lam WONG	Executive Director and deputy managing Director  Participates in the strategic planning, general management and in the daily operations.	Executive director  Participates in the strategic planning, general management and in the daily operations.	N/A
Mr. Albert Kam Yin YEUNG	Executive Director  Participates in the strategic planning, general management and in the daily operations.	Executive director  Participates in the strategic planning, general management and in the daily operations.	N/A
Mr. Ahito NAKAMURA	Independent non- executive Director  Participates in the strategic planning and general management but not in the daily operations.	Independent non- executive director  Participates in the strategic planning and general management but not in the daily operations.	N/A
Mr. Stephen Hoi Yin LEE	Independent non- executive Director  Participates in the strategic planning and general management but not in the daily operations.	N/A	N/A
Mr. Alexander Lanson LIN	Independent non- executive Director  Participates in the strategic planning and general management but not in the daily operations.	N/A	N/A
Other members of the senior management of the Company <sup>(1)</sup>	Senior management	N/A	N/A

*Note:*

(1) Further details of our senior management team are set out in "Directors and Senior Management".

Under the Articles of Association, a Director who, to his knowledge, is in any way, whether directly or indirectly, interested in a contract or arrangement, or proposed contract or arrangement, with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested. The Articles of Association do not require such a Director who is so interested to not attend any meeting of the Board. However, the Articles of Association do provide that a Director shall not be entitled to vote (or be counted in the quorum) on a resolution of the

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Directors in respect of any board resolution approving any contract, arrangement or proposal in which he or any of his associates is materially interested, except in certain prescribed circumstances, the details of which are set out in “*Appendix VI – Summary of the Constitution of the Company and Cayman Companies Law*”.

Whether a Director is conflicted or non-conflicted on any matter depends on the particular circumstances of the matter under consideration. The fact that a Director also holds directorships in other companies does not create a conflict for that Director unless the matter under consideration involves his personal interests or those of the other companies as well as the Group. In all other circumstances, a Director is able to act without being conflicted.

The provisions in the Articles of Association ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice so as to ensure that the best interests of the Company and the Shareholders (including the minority Shareholders) taken as a whole are preserved. Following the Listing, the Board is required to comply with the provisions of the Listing Rules. This includes the review of the connected transactions by the independent non-executive Directors and, where appropriate, independent financial advice and independent shareholders’ approval will be required.

Upon the Listing, the Company will have its own separate management team and separate functional units that will focus on, among others, conventions and exhibitions, hotel and catering management, leasing, property and facility management, accounts and human resources, all of which operate independently from the Remaining Group.

On the basis of the above, the Directors believe that, following the Listing, we will operate independently from the Controlling Shareholder and its associates and in the best interests of the Company and the Shareholders as a whole.

### **CONFIRMATION**

Save as disclosed in “– *Independence from the Controlling Shareholder*” and “– *Independence of Board and Management*” above, neither Hopewell nor any of the executive and non-executive Directors was, as at the Latest Practicable Date, interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.