

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

With reference to the paragraph headed “Changes in Shareholding Structure” in the section headed “Letter from the Board” in this circular, it is the Vendors’ intention to maintain more than 50% of the enlarged issued share capital of the Company upon Resumption. As such, the Vendors will become the Controlling Shareholders at Resumption. For details of the Controlling Shareholders’ background, please refer to the sections headed “History and background of the Target Group” and “Directors and senior management of the Enlarged Group” in this circular.

COMPETITION

A. Business Overview of the Target Group

During the Track Record Period, the Target Group has been a residential property developer primarily focusing on development of residential properties for sale in Quanzhou, Fujian Province and Yangzhou, Jiangsu Province of the PRC through its two project companies, namely, Hui An China General and Yangzhou Dehui.

As at the Latest Practicable Date, the property portfolio of the Target Group comprised of two residential property development projects, namely, the Binjiang International Project in Quanzhou, Fujian Province developed by Hui An China General and The Cullinan Bay Project in Yangzhou, Jiangsu Province developed by Yangzhou Dehui, both of which consist of mainly residential units with ancillary retail shops. Please refer to the section headed “Business of the Target Group — Property development projects of the Target Group” in this circular for further details related to the property development projects held by the Target Group.

B. Business of the Excluded Companies

As at the Latest Practicable Date, the Controlling Shareholders were (i) entitled to exercise 10% or more of the voting power at the general meeting and/or (ii) director of the following companies (the “**Excluded Companies**”):

Name of the companies and places of incorporation/ establishment	Relationship with the Controlling Shareholders	Description of business	Rationale for non-inclusion into the Target Group
Leten Limited 力泰有限公司 (Hong Kong)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi (whose shares are held on trust by Ms. Tse Lai Fung (謝麗鳳) (“Ms. Tse”), the spouse of Mr. Tsoi) owned 50% shareholding interests respectively Mr. Shie and Ms. Tse are the directors of the company 	<ul style="list-style-type: none"> Investment holdings 	<ul style="list-style-type: none"> The company is an investment holding company and does not engage in property development business

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Name of the companies and places of incorporation/ establishment	Relationship with the Controlling Shareholders	Description of business	Rationale for non-inclusion into the Target Group
Fortune Gather Investment Limited 利建投資有限公司 (Hong Kong)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi indirectly owned 70% shareholding interests before the disposal 	<ul style="list-style-type: none"> Investment holdings 	<ul style="list-style-type: none"> The company is an investment holding company and does not engage in property development business As at the Latest Practicable Date, the 70% shareholding interests had been disposed of to an Independent Third Party
Kin Len Holdings (Hong Kong) Limited 建聯集團(香港)有限公司 (Hong Kong)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi indirectly owned 28% attributable shareholding interests before the disposal 	<ul style="list-style-type: none"> Investment holdings 	<ul style="list-style-type: none"> The company is an investment holding company and does not engage in property development business As at the Latest Practicable Date, the indirectly owned 28% shareholding interests had been disposed of to an Independent Third Party by the disposition of the 70% shareholding interests in Fortune Gather Investment Limited
福建建誠置業有限公司 (Fujian Jiancheng Zhiye Company Limited*) (PRC)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi indirectly owned 28% attributable equity interests before the disposal 	<ul style="list-style-type: none"> Construction, sale and leasing of commodity premises at Shishi City, Fujian Province 	<ul style="list-style-type: none"> As at the Latest Practicable Date, the indirectly owned 28% attributable equity interests had been disposed of to an Independent Third Party by the disposition of the 70% shareholding interests in Fortune Gather Investment Limited

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Name of the companies and places of incorporation/ establishment	Relationship with the Controlling Shareholders	Description of business	Rationale for non-inclusion into the Target Group
石獅市德建房地產開發有限公司 (Shishi City Dejian Real Estate Development Company Limited*) (PRC)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi owned 60% and 40% equity interests respectively Mr. Tsoi is the director of the company 	<ul style="list-style-type: none"> Developing and selling commodity premises at Shishi City, Fujian Province and providing property management services for the relevant premises 	<ul style="list-style-type: none"> The company was engaged in property development project named HaoJiangMingZhu* 濠江明珠. According to a confirmation issued by the Property Transaction Registration Centre of Shishi City* 石獅市房產登記交易中心 (the “Registration Centre”) dated 27 August 2014, HaoJiangMingZhu* 濠江明珠 had all been sold before 30 August 2008 and completed registration before 30 September 2008
石獅市建德房地產有限公司 (Shishi City Jiande Real Estate Company Limited*) (PRC)	<ul style="list-style-type: none"> Ms. Tse owned 40% equity interests 	<ul style="list-style-type: none"> Developing and engaging in real estate business; and selling of construction materials 	<ul style="list-style-type: none"> The company was engaged in the following property development projects: <ul style="list-style-type: none"> (i) JianDeHuaYuan Phase I* 建德花園一期; (ii) JianDeHuaYuan Phase II* 建德花園二期; (iii) JianDeShangZhuLou* 建德商住樓; (iv) HaoJiangLiJing* 濠江麗景; and (v) HaoJiangDaSha* 濠江大廈

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Name of the companies and places of incorporation/ establishment	Relationship with the Controlling Shareholders	Description of business	Rationale for non-inclusion into the Target Group
			<ul style="list-style-type: none"> According to a confirmation issued by the Registration Centre dated 27 August 2014, JianDeHuaYuan Phase I* 建德花園一期 had all been sold before 30 August 2000 and completed registration before 30 September 2000 According to a confirmation issued by the Registration Centre dated 27 August 2014, JianDeHuaYuan Phase II* 建德花園二期 had all been sold before 30 March 2005 and completed registration before 30 April 2005 According to a confirmation issued by the Registration Centre dated 27 August 2014, JianDeShangZhuLou* 建德商住樓 had all been sold before 30 August 2001 and completed registration before 30 September 2001

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Name of the companies and places of incorporation/ establishment	Relationship with the Controlling Shareholders	Description of business	Rationale for non-inclusion into the Target Group
			<ul style="list-style-type: none"> According to a confirmation issued by the Registration Centre dated 27 August 2014, HaoJiangLiJing* 濠江麗景 had all been sold before 30 April 2007 and completed registration before 30 May 2007 According to a confirmation issued by the Registration Centre dated 27 August 2014, HaoJiangDaSha* 濠江大廈 had all been sold before 30 June 2008 and completed registration before 30 July 2008
石獅市力泰房地產發展有限公司 (Shishi City Litai Real Estate Development Company Limited*) (PRC)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi indirectly owned the entire equity interests 	<ul style="list-style-type: none"> Developing, selling and leasing commodity premises with commercial or residential function and providing property management services for the relevant premises in Shishi City, Fujian Province 	<ul style="list-style-type: none"> The company was engaged in real estate development project named HaoJiangGuoJi* 濠江國際. According to a confirmation issued by the Registration Centre dated 27 August 2014, HaoJiangGuoJi* 濠江國際 had all been sold before 30 November 2011 and completed registration before 30 December 2011
宜城富億置業有限公司 (Yicheng Fuyi Zhiye Company Limited*)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi indirectly owned 70% equity interests before the disposal 	<ul style="list-style-type: none"> Property development business 	<ul style="list-style-type: none"> As at the Latest Practicable Date, the indirectly owned 70% equity interests had been disposed of to an Independent Third Party

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Name of the companies and places of incorporation/ establishment	Relationship with the Controlling Shareholders	Description of business	Rationale for non-inclusion into the Target Group
福建省石獅市遠東房地產開發有限公司 (Fujian Province Shishi City Yuandong Real Estate Development Company Limited*) (PRC)	<ul style="list-style-type: none"> Mr. Shie and Mr. Tsoi indirectly owned the entire equity interests 	<ul style="list-style-type: none"> Developing and selling real estates, property management; selling steel and construction materials 	<ul style="list-style-type: none"> The company was engaged in the property development project named HaoJiangGuoJi Phase II* 濠江國際二期. According to a confirmation issued by the Registration Centre dated 27 August 2014, HaoJiangGuoJi Phase II* 濠江國際二期 had all been sold before 30 May 2014 and completed registration before 30 June 2014

As at the Latest Practicable Date, the Controlling Shareholders were also (i) entitled to exercise 10% or more of the voting power at the general meeting and/or (ii) director of several Hong Kong companies and the PRC companies. The proposed Directors confirmed that such Hong Kong companies and PRC companies (a) were investment holding companies; and/or (b) did not engage in property development business; and/or (c) did not undertake property development projects.

As advised by the PRC Legal Advisers, the confirmations issued by the Registration Centre were evidence indicating that the relevant property development projects had all been sold and completed registration.

As at the Latest Practicable Date, the proposed Directors confirmed that (i) all the property development projects undertaken by the Excluded Companies (if any) had been completed and sold, and (ii) the Excluded Companies would not undertake further property development projects in the future. The Company has obtained a confirmation from 石獅市建德房地產有限公司 (Shishi City Jiande Real Estate Company Limited*), a company which Ms. Tse owns 40% equity interests, confirming that it would not undertake further property development projects in the future.

C. No Competition

The proposed Directors confirm that, as at the Latest Practicable Date, none of the Controlling Shareholders nor the Directors had any interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

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NON-COMPETITION UNDERTAKINGS

Deed of Non-Competition

In order to ensure that competition will not exist in the future, the Controlling Shareholders have entered into the Deed of Non-Competition in favour of the Company.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders will not, and will procure that its/his close associates (other than any members of the Enlarged Group) will not, following completion of the Acquisition and during the Non-Compete Period (as defined below), directly or indirectly, either on its/his own account or in conjunction with or on behalf of any person, firm or company, own, invest in, carry on, participate in, develop, operate 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 activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Enlarged Group (being the property development of residential and commercial properties) from time to time in the PRC (the “**Restricted Business**”).

Each of the Controlling Shareholders has represented and warranted that, as at the date of the Deed of Non-Competition, neither it/he nor any of its/his close associates is currently interested, involved or engaged, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through the Enlarged Group or is otherwise engaged in any business which is in competition or potential competition to those of the Enlarged Group.

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

- (a) to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors of its/his compliance with the terms of the Deed of Non-Competition and the enforcement of the Deed of Non-Competition or a negative confirmation, as appropriate;
- (b) to procure the Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of its/his non-competition undertakings under the Deed of Non-Competition either through the Company’s annual report, or by way of announcements to the public; and
- (c) to make an annual declaration on compliance with its/his undertaking under the Deed of Non-Competition in the annual reports of the Company as the independent non-executive Directors think fit and ensure that the disclosure of details of its/his compliance with and the enforcement of the non-competition undertakings under the Deed of Non-Competition is consistent with the relevant requirements under the Listing Rules.

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The Deed of Non-Competition does not apply to:

- (a) the holding of or interests in the shares of any member of the Enlarged Group; or
- (b) any activity and business carried on by China General and its subsidiaries as at the date of the Deed of Non-Competition; or
- (c) the holding of or interests in shares or other securities in any company other than the Enlarged Group which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange and either:
 - (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 5% of that relevant 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 Controlling Shareholders and/or its/his respective close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that the Controlling Shareholders and/or its/his respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company or otherwise participate in or be involved in the management of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its/his close associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholders and/or its/his respective close associates together hold.

New Business Opportunity

In the event that any of the Controlling Shareholders or its/his close associates (other than any members of the Enlarged Group) (the "**Offeror**") is given/identified/offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "**New Opportunities**"), it/he will and will procure its/his close associates to refer the New Opportunities to the Company as soon as practicable in the following manner:

- (a) each of the Controlling Shareholders is required to, and shall procure its/his close associates (other than members of the Enlarged Group) to, refer, or to procure the referral of, the New Opportunities to the Company, and shall give written notice to the Company of any New Opportunities containing all information reasonably necessary for the Company to consider whether (a) such New Opportunities would constitute competition with its core business; and (b) it is in the interest of the Enlarged Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**");

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- (b) each of the Controlling Shareholders shall use its/his reasonable endeavours to procure the New Opportunities to be first offered to the Company on terms and conditions that are fair and reasonable;
- (c) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from the Company declining the New Opportunities and confirming that such New Opportunities would not constitute competition with the Company's core business, or (b) the Offeror has not received such notice from the Company within ten (10) business days from the Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to the Company in the manner as set out above; and
- (d) to disclose any New Opportunities referred to the Company by the Offeror and whether the Company has accepted the New Opportunities and other relevant information in the annual reports of the Company as the independent non-executive Directors think fit.

Upon receipt of the Offer Notice, the Company shall seek opinions and decisions from the Company's independent non-executive Directors who do not have a material interest in the manner as to whether (a) such New Opportunities would constitute competition with the Enlarged Group's core business, and (b) it is in the interest of the Company and its shareholders as a whole to pursue the New Opportunities.

Each of the Controlling Shareholders hereby further unconditionally and irrevocably undertakes to, and shall procure its/his close associates (where applicable) to, grant to the Company:

- (i) an option to acquire the whole or part of any interests in any business arising or developed from the New Opportunities above not taken up by the Company at any time as requested by the Company (the "**Option**"); and
- (ii) a right of first refusal on the whole or any part of the interest in any business arising or developed from the New Opportunities above not taken up by the Company (the "**Relevant Interest**"), in the event that the Controlling Shareholders (or any of its/his close associates) wish to dispose of the Relevant Interest (the "**Right of First Refusal**").

The Controlling Shareholders and the Company hereby agree and acknowledge that:

- (i) the exercise price of the Option and the consideration for the Relevant Interest shall be negotiated and agreed at arm's length between the Controlling Shareholders and the Company. An independent firm of valuers shall be appointed to determine the exercise price of the Option and the consideration for the Relevant Interest if the Controlling Shareholders and the Company fail to agree on the exercise price of the Option and the consideration for the Relevant Interest; and

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- (ii) decisions as to whether to exercise the Option or the Right of First Refusal shall be subject to the approval of the independent non-executive Directors and the independent Shareholders of the Company (if required), and all applicable laws, rules and regulations, including but not limited to, the Listing Rules.

Term of the Deed of Non-Competition

The obligation of the Controlling Shareholders under the Deed of Non-Competition will cease to have any effect whatsoever on:

- (a) the date on which the shares of the Company cease to be [REDACTED] on the Stock Exchange; or
- (b) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or its/his close associates, jointly and severally, ceases to hold an equity interest in the Company; or
- (c) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or its/his close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of the Company,

whichever occurs first (the “**Non-Compete Period**”).

ACTING IN CONCERT CONFIRMATION

On 17 January 2005, the Controlling Shareholders acquired the entire equity interest in China General from its then shareholders. Over the course of the business history of China General since the aforesaid acquisition, each of the Controlling Shareholders has, in exercising and implementing the management and operation of China General and each of the subsidiaries of China General, been acting in concert with one another. Since the China General Group is a group of private entities in the past, the said acting in concert arrangements were not formalised in writing and each of the Controlling 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.

In order to better reflect the acting in concert arrangements, the Controlling 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 completion of the Acquisition to consolidate their control over the China General Group until the Acting in Concert Confirmation is terminated by them in writing. The Acting in Concert Confirmation covers the Company and each of the members of the Enlarged Group.

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Pursuant to the Acting in Concert Confirmation, with respect to the businesses of the members of the China General Group, the Controlling Shareholders confirm to each other that, for the entire duration when all of them were/are contemporaneously the owners of shares of the members of the China General Group and, after completion of the Acquisition, the Company:

- (a) they have agreed to, and shall continue to, consult each other and reach an unanimous 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 the Company and the subsidiaries of the Company (as the case may be) and have historically voted on such resolutions in the same way;
- (b) they have centralised, and shall continue to centralise, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of the Company and the subsidiaries of the Company (as the case may be); and
- (c) they have operated, and shall continue to operate, the Company and the subsidiaries of the Company (as the case may be) as a single business venture on a collective basis and have made collective decisions in respect of the financial and operating policies of the Company and the subsidiaries (as the case may be).

Pursuant to the Acting in Concert Confirmation, the Controlling Shareholders will together be entitled to exercise and control 70% of the entire issued share capital of the Company immediately upon Resumption.

[REDACTED]

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INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors and the proposed Directors are satisfied that the Enlarged Group can function, operate and carry on its business independently from the Controlling Shareholders having considered the above, and based on the following reasons:

Management Independence

Upon Resumption, the Board will comprise four executive Directors and three independent non-executive Directors, details of whom are set out in the section headed "Directors and senior management of the Enlarged Group" in this circular.

The Company has put in place procedures to manage any actual or potential directors' conflicts of interest. Pursuant to the New Memorandum and Articles, subject to certain customary exceptions, a director shall not be entitled to vote (nor shall be counted in the quorum in relation to) any resolution of the board of the Company approving any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution). In the event that any such proposed contract or arrangement or any other proposal also constitutes a major transaction or above or a connected transaction pursuant to Chapters 14 or 14A of the Listing Rules, respectively, the Board is also required to comply with all the requirements under the Listing Rules, including (where applicable) obtaining the approval of the independent shareholders of the Company; and

Each of the Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit and in the best interests of the Company and its shareholders as a whole and must not allow any conflict between his duties as a director and his personal interest or his roles in other corporation. If there is any potential conflict of interest arising out of any transactions to be entered into between the Enlarged Group and any directors or his respective close associates, such interested director shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, the Directors and the proposed Directors are satisfied that they are able to perform their roles in the Enlarged Group independently, and the Directors and the proposed Directors are of the opinion that they are capable of managing the business of the Enlarged Group independently after the Resumption.

Operational Independence

The Directors and the proposed Directors consider that the Enlarged Group will be able to operate independently for the reasons that:

- (a) the Company and the relevant project companies hold the relevant licences and qualifications that are essential to the business operations of the Enlarged Group;

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- (b) the Enlarged Group has established its own operational structure made up of separate departments with independent management team to handle the Enlarged Group’s day-to-day operations;
- (c) the Enlarged Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology; and
- (d) the Enlarged Group also has direct and independent access to suppliers and customers.

Financial Independence

The Enlarged Group has an independent accounting, financial and internal controls system, and will make financial decisions according to its own business needs. In addition, it also has its own independent treasury function.

During the Track Record Period, Mr. Shie and Mr. Tsoi provided guarantee to the Target Group’s several bank loans. Mr. Shie and Mr. Tsoi had been released from the guarantee. The Directors and the proposed Directors also confirm that the outstanding loans provided by Mr. Shie or Mr. Tsoi to the Enlarged Group will be fully repaid before the Resumption.

The Directors and the proposed Directors are of the opinion that upon Resumption, the Company is capable of obtaining financing from Independent Third Parties without relying on any loan, guarantee or security provided by the Controlling Shareholders and that the Enlarged Group will be able to operate independently from the Controlling Shareholders from a financial perspective.