

RELATIONSHIPS WITH CONTROLLING SHAREHOLDERS

In addition to holding equity interests in our Group, our Controlling Shareholders, Mr. Pan and Ms. Zeng, also beneficially own equity interests in certain other companies. The following discussion sets forth relationships between our Controlling Shareholders and such other companies.

San Jiao Zhou

San Jiao Zhou is a limited liability company established in the PRC on March 20, 1998 and is 100% beneficially owned by Mr. Pan and Ms. Zeng. San Jiao Zhou has been wholly owned by Xi Fu Hui since its acquisition in 2006. Xi Fu Hui is owned by HK Sunyeer as to 25% and Shenzhen Tiankuo as to 75%. HK Sunyeer is currently owned by Ms. Zeng as to 60% and Mr. Pan as to 40% whereas Shenzhen Tiankuo is currently owned by Ms. Zeng as to 80% and Mr. Pan as to 20%.

San Jiao Zhou currently owns and operates the island resorts and the associated marine entertainment facilities on San Jiao Zhou Island located in Xunliao Town, Huidong County, Huizhou, Guangdong Province, PRC (中國廣東省惠州市惠東縣巽寮三角洲島) and organizes related recreational activities for visitors to the island. According to San Jiao Zhou's business license, San Jiao Zhou is licensed to engage in the business of marine entertainment projects, marine technology development and farming, the production and sales of marine products, marine tourism and the research, production and sale of related products, the operation of restaurant and general tourism.

Since San Jiao Zhou operates a resort hotel on San Jiao Zhou Island targeting tourists travelling on leisure or recreational purpose, its nature of business and target customers are different from the Group's business which includes property development, property investment, property operation services such as property management, property agency services and hotel services. Hotels operated by the Group are mainly boutique hotels that primarily serve business and frequent travellers. Therefore, we are of the view that the business carried on by San Jiao Zhou does not compete or is unlikely to compete, either directly or indirectly, with our business.

Our Group, through Shenzhen Colour Life Network, currently provides and will continue to provide certain advertising, consultancy and management services to San Jiao Zhou pursuant to an advertising, consultancy and management services agreement entered into between Shenzhen Colour Life Network and San Jiao Zhou. For detailed information of this agreement, see "Connected Transactions — San Jiao Zhou Island Management Services Agreement".

Xi Fu Hui

Xi Fu Hui is a limited liability company established in the PRC on March 4, 2004 and is 100% beneficially owned by Mr. Pan and Ms. Zeng. It is currently owned as to 25% by HK Sunyeer and 75% by Shenzhen Tiankuo. HK Sunyeer is currently owned as to 60% by Ms. Zeng and 40% by Mr. Pan whereas Shenzhen Tiankuo is currently owned as to 80% by Ms. Zeng and 20% by Mr. Pan.

Xi Fu Hui operates a restaurant and organizes conferences for business users. It does not provide any hotel services or property management services. Accordingly, our Directors consider that Xi Fu Hui does not compete or is unlikely to compete, either directly or indirectly, with our Group's business.

Right of First Refusal

So as to give assurances to our Group that there is no intention on the part of our Controlling Shareholders to compete with our Group, each of our Controlling Shareholders has undertaken under the Deed of Non-Competition Undertaking to give us the right of first refusal in the event they, in future, dispose of their interests in these companies. Any such right of first refusal and relevant transaction will be exercised or proceeded with in accordance with the Listing Rules.

In respect of the abovementioned rights of first refusal, we have also adopted some internal corporate governance guidelines as follows:

- *Independent non-executive Director review* — if and when the opportunity for exercising the rights of first refusal granted to us by our Controlling Shareholders arises, our independent non-executive Directors will review the relevant terms and decide whether or not to exercise such rights.
- *Increased transparency* — Our Controlling Shareholders have undertaken to provide all information necessary for the enforcement of the rights of first refusal.
- *Public disclosure of decisions* — in our annual report, we will disclose the relevant decisions to exercise (or not, as the case may be) the rights of first refusal.

NON-COMPETITION

Each of our Controlling Shareholders has, under the Deed of Non-Competition Undertaking, undertaken and covenanted with our Company that for so long as they and/or their respective associates, directly or indirectly, whether individually or taken together, remain our Controlling Shareholders, each of them will not, and will procure his associates not to directly or indirectly (including through any controlled company, associate, body corporate, partnership, joint venture or other contractual arrangement) carry on, engage, invest, participate or otherwise be interested in the (i) property development, (ii) property investment, (iii) property operation services including property management services, building equipment installation, maintenance and repair services and information network services, (iv) property agency services including primary property agency services, secondary property brokerage services and property consulting and advisory services and (v) hotel services including hotel management and operation services (other than through our Group) (the “Restricted Business”).

Such undertaking is conditional upon Listing and does not apply to:

- (a) any interests in the shares of any member of our Group; or
- (b) interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts which are prepared according to the applicable accounting principles and standards; or
 - (ii) the total number of the shares held by the Controlling Shareholders and/or his/its associates in aggregate does not exceed 5% of the issued shares of the company in question and our Controlling Shareholders and/or their associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholders and their associates in aggregate.

Such undertaking will lapse or terminated upon the earlier of (i) Mr. Pan and Ms. Zeng ceasing to be a Controlling Shareholder under the applicable laws and Listing Rules, and (ii) the Shares are no longer listed on the Main Board of the Stock Exchange.

None of our Controlling Shareholders and our Directors have an interest in a business (including those acquired from our Group) which competes or is likely to compete, either directly or indirectly, with our Group’s business in accordance with Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION

Save for the roles of Mr. Pan and Ms. Zeng as our Directors, we can carry on our businesses independently of our Controlling Shareholders for the following reasons:-

- Management and operational independence — apart from Mr. Pan and Ms. Zeng, there are two other executive Directors and a team of senior management with clearly delineated responsibilities for our daily operations; and
- Financial independence — the historical loans from our Controlling Shareholders will in the ordinary course be settled prior to our Listing and our bankers have also agreed in principle that any guarantees provided by the Controlling Shareholders prior to the Listing will be released with effect from the Listing. In all other respects, we have our usual operating cash flow and banks and other third party investors who are providing finance to us.