
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Li Wa and Li Xiaoping own a number of other companies which carry out businesses that are not related to the property development industry (the “Excluded Business”). Except for Shenzhen Property Guaranty, in which Li Wa and Li Xiaoping own certain equity interests, all the companies in which Li Wa and Li Xiaoping hold interests do not engage in a business related to the property development industry. Shenzhen Property Guaranty is principally engaged in the property mortgage guaranty business in China. Shenzhen Property Guaranty mainly engages in first-hand and second-hand property mortgage guaranty, even though it also provides different types of guaranty services including construction loan and land pledge guaranties. For property mortgage guaranty, Shenzhen Property Guaranty arranges various banks to provide property mortgage services to purchasers in China and Shenzhen Property Guaranty in turn provides guarantees in respect of these mortgages. Our group has not carried out any transactions with Shenzhen Property Guaranty during the Track Record Period.

Our Directors are of the view that there is a clear delineation between the Excluded Business and our business, as a result of which, none of the Excluded Business would compete, or is expected to compete, directly or indirectly, with our business. None of the entities controlled by Li Wa and Li Xiaoping is engaged in any property development business that competes or may compete with us.

The Excluded Business was not injected into our group as part of the Reorganization, nor was such business acquired by us after the Reorganization as our Directors are of the view that such business neither forms part of our core business nor is in line with our overall strategy to maintain and further strengthen our market position as a leading property developer.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from our controlling shareholders. This conclusion is based on, among other factors, the following:

- (a) **Competition.** None of our Original Shareholders is interested in any business which is, directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, our Original Shareholders have entered into a Deed of non-competition with us pursuant to which each of our Original Shareholders has undertaken to us that each of them will not directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in any business which may be in competition with the businesses of the our company and its subsidiaries (as may be incorporated from time to time).
- (b) **Management independence.** As of the Latest Practicable Date, the Board had nine members, comprising six executive Directors and three independent non-executive Directors. Except for Li Wa and Li Xiaoping, there is no overlapping between our Directors and senior management and the directors and senior management of the companies which our controlling shareholders are interested in. Save for Shenzhen Property Guaranty, all the companies which Li Wa and Li Xiaoping hold interests do not engage in a business related to the property development industry and Li Wa and Li Xiaoping only assume administrative roles such as the annual applications for the business certificates of these

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

companies and other relevant statutory filings with various PRC government authorities. As such, it is expected that no potential conflict of interests will arise by reason of such overlapping. In the event of any matter which gives rise to any conflict of interests with our group, Li Wa and Li Xiaoping will abstain from attending the board meeting at which such matter will be considered and resolved and we believe that the remaining Directors will have sufficient expertise and experience between them to fully consider any such matter.

- (c) **Financial independence.** We have our own accounting and finance department and independent financial system. During the Track Record Period, most of our bank borrowings were guaranteed by Li Wa and Li Xiaoping. All previous loans and other forms of financial assistance between us and Li Wa and Li Xiaoping will be released before [●]. Our Directors confirm that we will not rely on the controlling shareholders for financing.

The Deed of Non-competition will lapse automatically if our Original Shareholders ceases to have any shareholding interest in our company. In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- the independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Original Shareholders;
- each of our Original Shareholders has undertaken to our company that they will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;
- our company will disclose the review by the independent non-executive Directors on the compliance with the enforcement of the Deed of Non-competition in the annual report of our company or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of our Original Shareholders will make an annual declaration in the annual report of our company on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the Corporate Governance Report.

Li Wa and Li Xiaoping are parties acting in concert in relation to our company and they also confirmed and agreed that they will continue to act in concert in relation to our business operations and management affairs.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURE

Our controlling shareholders have confirmed that they fully comprehend their obligations to act in the best interests of our company and our shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- we have amended our memorandum and articles of association to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. As such, our controlling shareholders shall not vote or be counted in the quorum in respect of any proposals involving the controlling shareholders or any of their affiliates;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, two of whom have experience as a director of listed companies (namely, Shek Lai Him Abraham and Kenny Tam King Ching). We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public shareholders. Details of our independent non-executive Directors are set out in the section entitled “Directors, Senior Management and Employees” in this document.
- we have appointed Anglo Chinese Corporate Finance as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls.
- we will observe any transaction that is proposed between us and connected persons will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of those rules;
- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our company to advise them on matters relating to the Deed of Non-competition or on any business opportunities which may be referred to us by our controlling shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

PREVIOUS TRANSACTIONS WITH RELATED PARTIES

We entered into various related party transactions during the Track Record Period which are contained in the section entitled “Related party transactions” in Appendix IA to this document. These transactions include the sale of properties to related parties for residential and investment purposes. A prescribed discount to the sale price of the properties is given to family members of our Directors, senior management and employees of our group as part of the benefit we offer to our officers and staff to enhance the employer-employee relationship of our company. As such, various related party transactions relating to the sale of properties were entered into during the Track Record Period. Our Directors are of the opinion that these transactions were conducted in the ordinary and usual course of our business. Save for the sale of properties to related parties, which may occur from time to time as the occasion arises, all previous related parties’ transactions will be discontinued after [●].

We currently do not anticipate that there will be any connected transactions immediately after [●]. We will comply with the requirements of the Listing Rules should we conduct any connected transactions with our connected parties in future.