
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTIONS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Excluded Business

Mr. Wong, our Controlling Shareholder, controls various other entities other than our Group (“**Affiliates**”). These entities are not engaged in the property development business but engaged in businesses such as manufacturing of power equipments, excavators and machineries for forestry and mining.

As of the Latest Practicable Date, none of Mr. Wong and any of his Affiliates competes or is likely to compete with us directly or indirectly. Furthermore, save as otherwise disclosed in this Prospectus, none of Mr. Wong and any of his Affiliates was our supplier, customer or service provider.

Non-competition Deed

Our Company entered into the Non-competition Deed with Mr. Wong on January 6, 2010 pursuant to which Mr. Wong has undertaken to us not to compete with any business of the Group and shall use his best endeavors to procure his Affiliates not to engage in, assist or support a third party in the operation of, or participate or be interested in any property development business in the PRC during the period commencing on the Listing Date and ending on the earlier of:

- (i) the date when the Shares cease to be listed on the Hong Kong Stock Exchange;
- (ii) the date when Mr. Wong and any of his Affiliates cease to hold, or otherwise be interested in, whether directly or indirectly, 30% or more of the voting rights of our Company; or
- (iii) Mr. Wong is no longer the single largest shareholder of the Company (aggregated for this purpose, with Shares held directly or indirectly and by persons acting in concert with him (paragraphs (i), (ii) and (iii) collectively, the “**Non-competition Period**”));

whether alone or jointly with another person and whether directly or indirectly except:

- (a) through his interests in our Group; or
- (b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any property development business where such investment or interest does not exceed 5% of the outstanding voting shares of such entity provided that (1) such investment or interest does not grant Mr. Wong and/or his Affiliates any right to control the composition of the board of directors or managers of such entity, (2) such investment or interest does not grant Mr. Wong and/or his Affiliates any right to participate directly or indirectly, in such entity, and (3) none of Mr. Wong or his Affiliates controls the composition of the board of directors or managers of such entity; or

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- (c) interests in properties in the PRC acquired and held solely for residential use for Mr. Wong and his family, or for investment purposes for so long as such interests do not involve any office or retail property development in the PRC and are not in competition with the business of our Group from time to time; or
- (d) from the Listing Date, any property development business which we have decided not to make an investment as approved in writing by a majority of all the independent non-executive Directors or where we do not provide a written notice within 25 Business Days after being informed of the property development business; or
- (e) interests in properties situated outside of the PRC.

Furthermore, Mr. Wong has undertaken to our Company (for itself and for the benefit of our Group) that during the Non-Competition Period to procure any investment or commercial opportunity relating to property development business in the PRC that he or any of his Affiliates identifies or proposes or that is offered or presented to them by a third party to first refer such opportunity to the Company in accordance with terms of the Non-competition Deed.

Corporate governance measures

Pursuant to the Non-competition Deed, we also intend to adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of the Shareholders:

- (i) the independent non-executive Directors will review, at least on an annual basis, the compliance of Mr. Wong with the Non-competition Deed, including the options or first rights of refusals on the future potential competing business of Mr. Wong;
- (ii) Mr. Wong has undertaken to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the undertakings contained in the Non-competition Deed;
- (iii) Mr. Wong has undertaken to make an annual declaration on compliance with the undertakings contained in the Non-competition Deed and the Company will make disclosures in the corporate governance report as set out in our annual reports or by way of announcements regarding the decisions of the independent non-executive Directors relating to such compliance and/or breach and enforcement, if any, of the Non-competition Deed; and
- (iv) to the extent applicable, Mr. Wong will abstain from voting and not be counted as part of a quorum, and will abstain from participating in the discussions in any meetings of Shareholders and/or the Board for consideration and approval of any matters referred to in the Non-competition Deed, which has given or may give rise to actual or potential conflicts of interest, unless expressly requested by a majority of our independent non-executive Directors.

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CONNECTED TRANSACTIONS

After the Listing, the following transactions will be regarded as our connected transactions within the meaning of the Listing Rules.

Exempted continuing connected transactions under Rule 14A.34

On December 15, 2007, SCE Xiamen Guanjun as landlord entered into a tenancy agreement with South China Heavy Industry (Xiamen) Co., Ltd. * (中駿重工(廈門)有限公司) (“South China”), a company controlled by Mr. Wong, as tenant pursuant to which SCE Xiamen Guanjun agreed to lease to South China, the 6th floor and part of 3rd floor of the SCE Building, totaling approximately 475 sq.m., for office use. The term commenced on December 15, 2007 for a period of ten years. The rent paid under the tenancy agreement for the year ended December 31, 2008 and nine months ended September 30, 2009 amounted to RMB352,200 and RMB264,150, respectively.

On September 3, 2009, SCE Xiamen Guanjun entered into a car park tenancy agreement with South China pursuant to which SCE Xiamen Guanjun agreed to lease to South China four car parking spaces. The term commenced on September 1, 2009 for a period of one year. The rent paid for the month ended September 30, 2009 amounted to RMB1,200.

Our Directors consider that the terms of each of the above tenancy agreements have been negotiated at arm’s length based on normal commercial terms and the transactions thereunder have been conducted, and will continue to be conducted, in the ordinary and usual course of business of our Group. The rental payable to us is determined with reference to the annual market rental of comparable premises and with reference to the prevailing market rate. DTZ, a professional property valuer, is of the opinion that the rental payable under each of the tenancy agreements is based on market rates and are fair and reasonable.

Since each of the percentage ratios under Chapter 14 of the Listing Rules, where applicable, in respect of the continuing connected transactions set forth above is expected to be less than 0.1%, the transactions fall under Rule 14A.33(3) of the Listing Rules as *de minimis* transactions and will be exempted from the reporting, announcement and independent shareholders’ approval requirements set forth in Rules 14A.45 to 14A.48 of the Listing Rules.