
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Immediately following completion of the Share Offer, Autobest Holdings, which is wholly-owned by Tian An, will be interested in approximately 75% of the issued share capital of our Company. Hence, Tian An and Autobest Holdings will be our Controlling Shareholders within the meaning of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Board is satisfied, on the basis of the following matters that the Company can operate independently of the Tian An Group after the Listing.

(a) Financial independence

During the Track Record Period, Tian An provided guarantee to secure certain of our borrowings from financial institution with carrying value of approximately HK\$71.0 million, HK\$62.0 million, HK\$99.6 million and HK\$93.3 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. As at the Latest Practicable Date, our Group had obtained consents from current lenders to release all the financial guarantees provided by Tian An, by replacing them with guarantee provided by our Group upon the Listing and operating fixed assets of Shandong Wangchao with current market value of not less than RMB55,000,000 as additional security.

Our Company has shareholder's loans from Tian An and Sunwealth of approximately HK\$286.5 million, HK\$343.9 million and HK\$355.3 million as at 31 December 2009 and 2010 and as at 30 June 2011, respectively since we were acquired by Tian An in 2009. On 20 December 2011, shareholder's loan owed to Sunwealth by our Group accumulated as the approximately amount of HK\$357.3 million, part of which in an approximate amount HK\$227.3 million was assigned to our Company for the consideration of HK\$142,292,167 which was satisfied by the issue and allotment of 142,292,167 Shares as part of the Reorganisation prior to the Listing and the remaining balance of approximately HK\$128.2 million and HK\$1.8 million due to Sunwealth and Tian An respectively will be fully repaid using proceeds from the Share Offer. Please refer to the "Connected transactions" section for further details on the shareholders' loan.

The Company has another loan payable to a subsidiary of Tian An of approximately HK\$13.3 million, HK\$13.8 million and HK\$14.1 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. The amount was fully repaid on 28 July 2011.

The Directors confirm that our Group has the ability to operate independently from the Controlling Shareholders and their associates from financial perspective.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(b) Independence of boards and management

Tian An and the Company have boards of directors that function independently from each other. The following table shows the details of the directorships or senior management of the Company upon Listing and that of Tian An as at the Latest Practicable Date:

<u>Position</u>	<u>Company</u>	<u>Tian An</u>
Executive Directors	Mr. Ng Qing Hai Mr. Li Chi Kong Mr. Yu Zhong	Mr. Hu Aimin Mr. Song Zengbin Mr. Lee Seng Wei Patrick Mr. Ng Qing Hai Mr. Ma Sun Mr. Lo King Yau Edwin Mr. Tao Tsang Sang
Non-Executive Directors	None	Mr. Lee Seng Hui Dr. Cheng Mo Chi Moses Mr. Lee Shu Yin
Independent Non-Executive Directors	Mr. Chan Sze Chung Mr. Cheng Kin Chung Ms. Yang Yan Tung Doris	Mr. Chang Chu Fai Johnson Francis Mr. Jin Hui Zhi Mr. Ngai Wah Sang Ms. Yang Lai Sum Lisa
Senior Management	Mr. Huang Wu Hu Mr. Li Chao Mr. Zhang Shou Tian Ms. Wong Ka Hang	Mr. Cheung Chun Pan Foley Mr. Dai Hong Liang Mr. Song Zhu Feng Ms. Yung Yee Mei Cindy

The Company will maintain a sufficient level of independence of directorship and management from Tian An and will have a team of full-time senior management and employees who will be employed solely by the Company and operate independently from Tian An.

As at the Latest Practicable Date, Mr. Ng Qing Hai was the executive director of Tian An and Mr. Ng Qing Hai and Mr. Li Chi Kong were also directors of subsidiaries of the Tian An Group. The roles of both Mr. Ng Qing Hai and Mr. Li Chi Kong were insignificant in Tian An and the Remaining Group as follows:

- (i) Mr. Ng's involvement in Tian An during the period from 2008 to 2010 was limited to the cement-related business, and the time involved therein was not significant. Mr. Li is the director of several subsidiaries of the Tian An Group. Upon Listing of our Group, Mr. Ng and Mr. Li will be re-designated as non-executive directors and will not be involved in any executive function of the Tian An Group; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (ii) Mr. Ng's and Mr. Li's representations on the board of non-dormant subsidiaries of the Remaining Group were insignificant to affect the outcome of the decision of either the board of directors of Tian An and the Board.

Save as disclosed, the Directors of the Company will have no role in and are independent of Tian An and there will be no overlap of senior management between Tian An Group and the Company.

The Company's management decisions are made by the executive Directors and the senior management of our Company, the majority of whom have served the Company and/or its subsidiaries for a long time and have substantial experience in the industry in which the Company is engaged. Further, the Company's three independent non-executive Directors will bring independent judgement to the decision-making process of the Board.

(c) Operational and administrative independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the Listing, the Company has full rights to make all decisions on, and to carry out, its own business operations independently. The Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the business independently from the Controlling Shareholders.

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development.

(d) Clear delineation of business

Prior to the Listing, Tian An Group (together with our Group) is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management, as well as the manufacture, sale and trading of cement and clinker in the PRC. After the Listing, there will be a clear delineation of business between the Tian An Group and our Group:

- (i) Tian An Group will focus on the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management in the PRC; and
- (ii) our Group will focus on the manufacture, sale and trading of cement and clinker in Shanghai and Shandong Province in the PRC which, in this prospectus is defined as the "Restricted Activity".

NON-COMPETITION DEED

Undertaking of Tian An

In preparation for the Listing, Tian An has entered into the Non-competition Deed in favour of the Company, pursuant to which Tian An (for itself and on behalf of each other member of Tian An Group) has unconditionally and irrevocably undertaken to the Company (for itself and on behalf of each other member of our Group) that for so long as the Shares are listed on Main Board of the Stock Exchange or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Tian An and its associates, individually or collectively, hold 30% or more of the issued share capital of the Company and having the power to control the Board, it will not, and shall procure that its associates will not:

- (i) compete with our Group, directly or indirectly, whether on its/their own account or jointly with or on behalf of any person, firm or company, by acquiring or holding any interest in, or carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the carrying on of, any activity or business which directly or indirectly competes or is likely to be in competition with the business of the Group (the “Restricted Businesses”);
- (ii) at any time use the name or trading style of our Group, or represent itself/themselves as carrying on or continuing or being connected with any member of our Group or its business for any purpose whatsoever save as those names/trading styles which have been previously disclosed in writing to Tian An; and
- (iii) directly or indirectly solicit, interfere with, employ or endeavour to entice away from any member of our Group with a view to competing with our Group in the Restricted Activity for any person who, to its/their knowledge, is now, or has during the preceding 12 months been, a client, customer or employee of, or in the habit of dealing with our Group.

Pursuant to the Deed, it has been agreed that Tian An may either by itself, or through its associate or associates:

- (i) hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the Restricted Businesses, provided that the aggregate shareholding held by Tian An and/or its associates in such company, whether directly or indirectly, does not exceed 5% of the issued share capital of such listed company, and provided further that Tian An and its associates or the Company and its associates would not participate in or be otherwise involved in the management of that listed company; and
- (ii) hold shares and other securities in any member of our Group.

Furthermore, pursuant to the Non-competition Deed, Tian An has undertaken that if they become aware of any business opportunity which directly or indirectly competes, or may lead to competition, with the Restricted Businesses, they shall notify our Group of such business opportunity immediately upon becoming aware of it. Tian An has also agreed to use its best efforts to procure that such business opportunity is first offered to our Group upon terms which are fair and reasonable. The independent board committee of the Board comprising the independent non-executive Directors of the Company shall decide whether to take up such business opportunity. It is only after our Group has declined such opportunity that Tian An or its associates may pursue such business opportunities.

Undertaking of the Company

Pursuant to the Non-competition Deed, the Company (for itself and on behalf of each other member of our Group) has unconditionally and irrevocably undertaken to Tian An (for itself and on behalf of each other member of the Tian An Group) that for so long as the Shares are listed on Main

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Board of the Stock Exchange or Tian An and its associates, individually or collectively, hold 30% or more of the issued share capital of the Company and having the power to control the Board, it will not, and shall procure that its associates will not:

- (i) compete with Tian An Group, directly or indirectly, whether on its/their own account or jointly with or on behalf of any person, firm or company, by acquiring or holding any interest in, or carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the carrying on of, any activity or business which directly or indirectly competes or is likely to be in competition with the business of Tian An Group;
- (ii) at any time use the name or trading style of any member of Tian An Group, or represent itself/themselves as carrying on or continuing or being connected with any member of Tian An Group or its business for any purpose whatsoever save as those names/trading styles which have been previously disclosed in writing to the Company; and
- (iii) directly or indirectly solicit, interfere with, employ or endeavour to entice away from any member of Tian An Group with a view to competing with Tian An Group in the business of Tian An Group for any person who, to its/their knowledge, is now, or has during the preceding 12 months been, a client, customer or employee of, or in the habit of dealing with, any member of Tian An Group.

The Company may however either by itself, or through its associate or associates, hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the business of Tian An Group, provided that the aggregate shareholding held by the Company and/or its associates in such company, whether directly or indirectly, does not exceed 5% of the issued share capital of such listed company, and provided further that the Company and its associates would not participate in or be otherwise involved in the management of that listed company.

In addition, it is further provided in the Non-competition Deed that if there is any disagreement between Tian An and the Company as to whether or not any activity or business (or proposed activity or business) or business opportunity directly or indirectly competes or may lead to competition with the business of Tian An Group, as the case may be, the matter shall be determined by the independent board committee of the affected party whose decision shall be final and binding.

It has been agreed that any development, venture, partnership, investment, undertaking, engagement, involvement in business or activity not falling within the ambit of the Restricted Businesses or business of Tian An Group shall not be so restricted in any way, form or manner by virtue thereof.

The Non-competition Deed is conditional upon (a) the approval by the Listing Committee of the Stock Exchange for the listing and trading of the Shares; and (b) all the conditions precedent in the Underwriting Agreement being fulfilled (or waived) and the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated according to the terms and conditions or other provisions thereof.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONFIRMATION

Save as disclosed above, neither the Controlling Shareholders nor any of the executive and non-executive Directors were, as at the Latest Practicable Date, interested in any business, other than that of our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.