

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Yan will, via Zall Investment Holding, indirectly and beneficially own in total 85% of the issued share capital of our Company taking no account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme or the Pre-IPO Share Option Scheme, and hence Mr. Yan and Zall Investment Holding are our Controlling Shareholders. For further details, please refer to the section headed “Substantial Shareholders” in this prospectus.

Apart from the business relating to the development and operation of large-scale, consumer product-focused wholesale shopping malls in China, our Controlling Shareholders and their respective associates are currently operating other businesses such as manufacture of textiles and clothing through a number of companies controlled by them and such excluded businesses will not form part of our Group after Listing. For details of the excluded business, please refer to the section headed “History, Reorganization and Corporate Structure — Excluded Businesses” in this prospectus. None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-Competition with us to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

DELINEATION OF BUSINESSES

The operations of our Group are independent of and separate from the businesses of the Excluded Group. Our Directors are of the view that there is a clear delineation between the excluded businesses as set out in the section headed “History, Reorganization and Corporate Structure — Excluded Businesses” in this prospectus and our businesses. The Excluded Businesses were not injected into our Group as part of the Reorganization, as our Directors are of the view that such businesses neither form part of our core business nor are in line with our overall strategy to maintain and further strengthen our market position as a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls in China.

Our Group is principally engaged in the development and operation of large-scale, consumer product-focused wholesale shopping malls, as well as commercial, residential and mixed-use property projects in China. On the other hand, the Excluded Group is principally engaged, or intends to engage in, the manufacture of textiles and clothing, provision of network services, automobile distribution and logistics services, steel logistics and warehousing services, and eco-tourism.

Given the different nature of businesses between our Group and the Excluded Group, after the Listing, our Directors do not expect there to be any overlap or competition of the businesses of the Excluded Group and our Group.

The Intended Logistics Business of the Excluded Group

The Excluded Group intends to operate large-scale steel and automobile logistics centers (the “**Excluded Group’s Intended Logistics Business**”) in the future. We currently provide warehouse leasing, and via third parties arrange logistics and transportation services for our

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tenants in our North Hankou Project (the “**Group’s Logistics Support Services**”). Our Directors are of the view that the Group’s Logistics Support Services can be clearly differentiated from the Excluded Group’s Intended Logistics Business, as the Group’s Logistics Support Services merely provide ancillary, value-added services by making available logistics and transportation arrangements which are provided by third parties to our customers who are owners and tenants of our wholesale shopping mall units in North Hankou Project that have warehousing and logistics needs, whereas the Excluded Group’s Intended Logistics Business will operate large-scale steel and automobile logistics centers in the future, and does not intend to be involved in the development and sale of property in the PRC. Other than the warehouse leasing services, such ancillary, value-added services are not directly provided by any member of our Group but are outsourced to and provided by third parties to our customers at prices set by these third parties. In view of the foregoing and given the difference in nature of the services of the Excluded Group’s Intended Logistics Business and the Group’s Logistics Support Services, our Directors are of the view that the Group’s Logistics Support Services do not overlap or compete with the Excluded Group’s Intended Logistics Business.

The business model of the Excluded Group’s Intended Logistics Business is also distinguishable from our Group’s business model. The Excluded Group’s Intended Logistics Business and fixed assets such as warehouses will be located near the port in Hannan District, Wuhan. Its business model is expected to be based solely on the provision of comprehensive large-scale steel and automobile logistics solutions and services, including the loading and unloading of steel and automobiles from shipping vessels, and the stacking and warehousing of steel and automobiles. Its target customers are expected to be suppliers, manufacturers and distributors of steel and automobiles. The revenue generated by the Excluded Group is expected to be from charging its customers a service fee for its services, which are expected to be agreed and determined with reference to factors such as the nature, quantities, and weight of product to be delivered and handled, area and time for storage, pre-production processing and packing cost, time and human resources required, distance of freight forwarding, and the assets in running such businesses will be its warehouses, containers, and transportation vehicles. On the other hand, the business model of our Group focuses on the development and operation of wholesale shopping malls in China as an integrated platform for our clients to display and sell their consumer products to domestic retailers and end-consumers. Our clients are suppliers, manufacturers and distributors of consumer products and SMEs focused primarily on the domestic consumption market. We generate our revenue from the sale of properties, rental income, property management services, advertising income and other ancillary services income, and the assets we employ in running our businesses are comprised predominantly of our wholesale shopping malls.

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective associates had an ownership interest in any business which competes or is likely to compete, either directly or indirectly with our business.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that it/he will not, and will procure its/his associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or hold shares or other interests in any companies or businesses that compete directly or indirectly with our business.

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The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, any of our Shares, or if our Shares cease to be listed on the Stock Exchange.

The Deed of Non-Competition also provides that:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it/he will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Other than Mr. Yan and Mr. Fu Gaochao, none of our other Directors holds any directorship or senior management role in Zall Holding Group or is involved in the businesses operated or carried on by Zall Holding Group and/or Mr. Yan. Both Mr. Yan and Mr. Fu Gaochao hold non-executive directorships with no executive function in Zall Holding Group and they will not be involved in the day-to-day management or affairs and operations of the business of Zall Holding Group. Save for attending the board meetings of Zall Holding Group from time to time, it is expected that Mr. Yan will spend substantially all of his working time in the operation of our Group after Listing. Mr. Fu Gaochao is a non-executive Director with no executive role in our Group and he will not be involved in the day-to-day management or affairs and operations of our businesses.

In the event that each of Mr. Yan and Mr. Fu Gaochao is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with Zall Holding Group, the remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorship of Mr. Yan and Mr. Fu Gaochao in Zall Holding Group, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from Zall Holding Group for the following reasons:

- (a) none of the business undertaken or carried on by Zall Holding Group competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles

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assumed by Mr. Yan in most cases will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;

- (b) we have three independent non-executive Directors, and certain matters of our Company, including matters referred to in the Deed of Non-Competition, details of which are set out in the paragraph entitled “— Non-Competition Undertakings” above, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of Zall Holding Group;
- (c) in the event of a conflict of interests, Mr. Yan and Mr. Fu Gaochao will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence Mr. Yan and Mr. Fu Gaochao would be unable to influence our Board in making decisions on matters in which they are, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interests. Please refer to the section headed “Directors, Senior Management and Employees — Directors” in this prospectus for a summary of the relevant experience and qualifications of our Directors; and
- (d) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position within Zall Holding Group.

Operational Independence

We are independent from our Controlling Shareholders as we do not share operational capabilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from Zall Holding Group.

Although we have entered into and will continue to enter into a lease agreement with Zall Holding, which will constitute a continuing connected transaction for our Company after Listing, such transaction has been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transaction that will continue after Listing are set out in the section headed “Connected Transaction” in this prospectus.

Financial Independence

All loans, advances and balances due from our Controlling Shareholders and their respective associates have been fully settled and all loans, advances and balances due to our Controlling Shareholders will be fully repaid before Listing. All share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group’s borrowing will also be fully released upon Listing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective associates. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

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CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligation to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, 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;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters involving Zall Holding Group and our Group and/or matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) 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, one of whom has experience as a director of a listed company (namely, Mr. Cheung Ka Fai) and one of whom has substantive expertise in the property development sector (namely, Mr. Peng Chi). We believe our independent non-executive Directors possess sufficient experience and they 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 headed "Directors, Senior Management and Employees — Directors — Independent non-executive Directors" in this prospectus; and
- (d) we have appointed Oriental Patron Asia Limited 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 corporate governance.