

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### RELATIONSHIP WITH PARENTCO

Parentco, through its subsidiaries, holds the entire issued share capital of our Company before our spin-off from Parentco (or the Spin-off, as defined in this [REDACTED]). Immediately upon completion of the [REDACTED] and the Capitalisation Issue, Parentco will continue to be one of our Controlling Shareholders, indirectly holding about [REDACTED]% of our issued share capital (assuming the [REDACTED] is not exercised). As at the Latest Practicable Date, WOG is indirectly interested in approximately 22.08% of the issued share capital of Wai Yuen Tong Medicine Holdings Limited which is in turn indirectly interested in approximately 28.51% of the issued share capital of Easy One Financial Group Limited. Both Wai Yuen Tong Medicine Holdings Limited and Easy One Financial Group Limited are listed on the Main Board.

#### Clear delineation of business

After completion of the Spin-off, Parentco will be principally engaged in the business of provision of finance and the management and sub-licensing of Chinese wet markets (together, the “**Retained Businesses**”) and we will be principally engaged in the residential and commercial property development business and commercial and industrial property investment business. We do not consider there exist material issues relating to competing or potentially competing business or related transactions with Parentco for the reasons set out below.

#### Excluded Properties

In light of the recent performance of the second-hand residential property market, both our Group and the Parentco Group have decided not to engage in investing in second-hand residential properties and focus resources on areas which our Directors believe have more potential. The management of second-hand residential property business requires resources and manpower. Typically, income derived from investment in second-hand residential properties are (i) rental income; and (ii) capital appreciation. The leasing out of residential properties require manpower to search for tenants, negotiate rent with tenants, manage the subject properties and collect rent. Given that there are 48 Excluded Properties (as defined below) as at the Latest Practicable Date, considerable manpower will need to be allocated to deal with these properties. Upon the Spin-off, our Group’s business focus will continue to be on development of residential and commercial properties, and, to a lesser extent, investment in commercial and industrial properties. Our Directors consider that the business of developing residential properties has a number of benefits compared to investing in residential properties not developed by us. For instance, our Company can exercise more stringent costs control to react to unfavourable changes in market conditions. Conversely, under favourable market conditions, our Group as a property developer may adjust the positioning of properties to be developed by focusing on developing high-end luxurious residential units. In comparison, for residential properties not developed by us, investment costs are fixed at the time when a property is acquired.

It is also more beneficial for our Group to focus on development of residential properties rather than second-hand residential properties as the income contribution from development of residential properties is much higher than that from investment in second-hand residential properties. During the Track Record Period, our Group’s revenue from sale of self-developed residential and commercial properties amounted to approximately HK\$2,623.8 million, representing approximately 71.6% of our Group’s total revenue of approximately HK\$3,663.0 million during the Track Record Period. On the other hand, the rental income generated from the Excluded Properties (as defined below) contributed to

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only approximately HK\$13.2 million, HK\$13.4 million, HK\$14.2 million and HK\$7.4 million in the Parentco Group’s turnover for each of the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. Our Directors therefore believe that it will be in the interest of our Company to focus our Group’s resources on the property development business.

Another reason why the Excluded Properties (as defined below) have not been injected into our Group is that the Parentco Group has already been disposing of the Excluded Properties (as defined below) and is continuing to dispose of them. If such Excluded Properties (as defined below) were injected into our Group, additional transaction costs including stamp duty in excess of HK\$50 million (inclusive of the DSD and BSD) will be incurred which is unnecessary as our Group will also be disposing of these properties after injection in any event. Given our Directors’ view of the near future prospects of the second-hand residential property market and the amount of resources required to operate the second-hand residential property business, our Directors believe that it would not be in the interest of our Company to incur additional transaction costs to inject the Excluded Properties (as defined below) into our Group. Further details of the Parentco Group’s disposal plan are explained below. As such, there were certain second-hand residential properties held by Parentco which were not injected into our Group as part of the Spin-off (“**Excluded Properties**”), none of which were developed by members of our Group.

Parentco has been disposing of the Excluded Properties and has undertaken under the Deed of Non-Competition not to engage in business which competes or may compete with our business, and it will not acquire any further residential properties for investment purpose after disposing of all Excluded Properties.

Parentco presently intends to dispose of all the Excluded Properties by the end of 2016, subject to market conditions. Having said that, any proposed disposal of Excluded Properties will need to be considered in terms of initial cost of acquisition, prevailing market price, market conditions and outlook and transaction costs. As such, if market condition becomes unfavourable for Parentco to sell these Excluded Properties in the future, Parentco may extend the time for disposal until market conditions improve. If that happens, Parentco may not be able to dispose of all Excluded Properties before end of 2016. Since our Group currently has no plan to pre-sell any of our self-developed residential properties before October 2016, there is expected to be minimal (if any) competition between Parentco Group and our Group in 2016. Even if Parentco continues to dispose of the Excluded Properties beyond October 2016, we consider that there is only little potential competition for the following reasons:

- (i) newly developed properties and second-hand properties attract different purchasers preference. Purchasers who purchase newly developed residential properties may prefer new buildings, new interior and facilities such as air-conditioning and kitchen and washroom facilities, more modernised lift lobby and ancillary building facilities. They are prepared to pay a premium for such features which come with newly developed properties. On the other hand, purchasers of second-hand properties are not willing to pay a premium for these features and rather enjoy the cost saving therefrom;

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- (ii) Our next property development project is located in Ma On Shan, Shatin, in which none of the Excluded Properties is situated. In addition, most of the Excluded Properties (except for 4 of them) are situated on Hong Kong Island or in Kowloon and not in the New Territories. Purchasers who prefer properties in the Hong Kong and Kowloon regions may have less preference for properties in the New Territories; and
- (iii) the sale of our self-developed residential properties will be at a much larger scale (in terms of number of properties) than the Excluded Properties. The effect of competition (if any) would be minimal to our Group.
- (iv) any potential competition will only decrease going forward since Parentco has undertaken under the Deed of Non-Competition not to compete with us and therefore it cannot acquire any further residential properties.

In addition, Parentco has also not injected property located at House 2, Nos. 9–15 Ma Yeung Path, Kau To Shan, Shatin, New Territories, Hong Kong into our Group as it is currently classified as property, plant and equipment and has been retained as housing for Ms. Yau Yuk Yin, an executive director of Parentco and the spouse of Mr. Tang Ching Ho, the executive chairman of Parentco.

Taking into account of all the above factors, our Directors consider that the potential competition, if any, between the Group and the Remaining Parentco Group arising from the Parentco’s retention of the Excluded Properties, will not be extreme. Our Company will disclose the progress on the disposal of the Excluded Properties in its annual reports after the [REDACTED] until all Excluded Properties are disposed of.

As at the Latest Practicable Date, Parentco held 48 Excluded Properties which are summarised as follows:

| Property<br>Number | Location                                                              | SFA<br>(sq.ft.) | Fair value<br>as at<br>30 September<br>2015<br>HK\$'000 | Rental income                                         |                                                                    |
|--------------------|-----------------------------------------------------------------------|-----------------|---------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|
|                    |                                                                       |                 |                                                         | For the<br>year ended<br>31 March<br>2015<br>HK\$'000 | For the<br>six months<br>ended<br>30 September<br>2015<br>HK\$'000 |
| 1                  | Sham Shui Po                                                          | 631             | 3,250                                                   | 153                                                   | 75                                                                 |
| 2                  | Mongkok                                                               | 921             | 6,800                                                   | 321                                                   | 167                                                                |
| 3                  | Sham Shui Po                                                          | 593             | 2,970                                                   | 100                                                   | 57                                                                 |
| 4                  | Mongkok                                                               | 980             | 7,700                                                   | 328                                                   | 166                                                                |
| 5                  | Mongkok                                                               | 980             | 7,750                                                   | 345                                                   | 181                                                                |
| 6                  | Mongkok                                                               | 560             | 4,250                                                   | 174                                                   | 90                                                                 |
| 7                  | Wanchai                                                               | 725             | 7,100                                                   | 185                                                   | 97                                                                 |
| 8                  | Cheung Sha Wan                                                        | 606             | 4,650                                                   | 218                                                   | 115                                                                |
| 9                  | Tsuen Wan                                                             | 647             | 4,000                                                   | 193                                                   | 99                                                                 |
| 10                 | Sham Shui Po                                                          | 527             | 3,430                                                   | 158                                                   | 86                                                                 |
| 11                 | Wanchai (Contracted for sale and to<br>be completed on 29 April 2016) | 834             | 9,300                                                   | 346                                                   | 181                                                                |

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| Property<br>Number | Location       | SFA<br>(sq.ft.) | Fair value<br>as at<br>30 September<br>2015<br><i>HK\$'000</i> | Rental income                                                |                                                                           |
|--------------------|----------------|-----------------|----------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------|
|                    |                |                 |                                                                | For the<br>year ended<br>31 March<br>2015<br><i>HK\$'000</i> | For the<br>six months<br>ended<br>30 September<br>2015<br><i>HK\$'000</i> |
| 12                 | Mongkok        | 652             | 5,420                                                          | 246                                                          | 130                                                                       |
| 13                 | Mongkok        | 743             | 6,500                                                          | 243                                                          | 131                                                                       |
| 14                 | Mongkok        | 766             | 6,700                                                          | 310                                                          | 162                                                                       |
| 15                 | Jordan         | 284             | 3,720                                                          | 129                                                          | 69                                                                        |
| 16                 | North Point    | 678             | 6,800                                                          | 300                                                          | 165                                                                       |
| 17                 | Mongkok        | 734             | 6,400                                                          | 240                                                          | 137                                                                       |
| 18                 | Jordan         | 284             | 4,410                                                          | 248                                                          | 133                                                                       |
| 19                 | Jordan         | 276             | 3,730                                                          | 138                                                          | 71                                                                        |
| 20                 | Mongkok        | 690             | 5,700                                                          | 287                                                          | 149                                                                       |
| 21                 | Cheung Sha Wan | 593             | 4,600                                                          | 214                                                          | 109                                                                       |
| 22                 | Sheung Shui    | 593             | 3,680                                                          | 146                                                          | 80                                                                        |
| 23                 | Jordan         | 276             | 3,610                                                          | 120                                                          | 65                                                                        |
| 24                 | Wanchai        | 653             | 6,400                                                          | 285                                                          | 148                                                                       |
| 25                 | Mongkok        | 606             | 5,450                                                          | 239                                                          | 124                                                                       |
| 26                 | Sham Shui Po   | 678             | 4,150                                                          | 211                                                          | 115                                                                       |
| 27                 | Wanchai        | 589             | 6,450                                                          | 239                                                          | 128                                                                       |
| 28                 | Jordan         | 284             | 3,780                                                          | 119                                                          | 64                                                                        |
| 29                 | Cheung Sha Wan | 600             | 4,250                                                          | 221                                                          | 115                                                                       |
| 30                 | Sheung Shui    | 700             | 4,200                                                          | 219                                                          | 106                                                                       |
| 31                 | Wanchai        | 532             | 6,000                                                          | 269                                                          | 144                                                                       |
| 32                 | Jordan         | 276             | 3,670                                                          | 115                                                          | 58                                                                        |
| 33                 | Cheung Sha Wan | 520             | 4,100                                                          | 222                                                          | 115                                                                       |
| 34                 | Jordan         | 558             | 4,400                                                          | 207                                                          | 111                                                                       |
| 35                 | Jordan         | 284             | 3,860                                                          | 125                                                          | 65                                                                        |
| 36                 | Lai Chi Kok    | 675             | 5,050                                                          | 264                                                          | 140                                                                       |
| 37                 | Cheung Sha Wan | 540             | 4,050                                                          | 213                                                          | 115                                                                       |
| 38                 | Mongkok        | 606             | 5,300                                                          | 231                                                          | 124                                                                       |
| 39                 | Sham Shui Po   | 540             | 4,000                                                          | 214                                                          | 115                                                                       |
| 40                 | Mongkok        | 518             | 4,800                                                          | 243                                                          | 128                                                                       |
| 41                 | Jordan         | 276             | 3,750                                                          | 119                                                          | 63                                                                        |
| 42                 | Cheung Sha Wan | 668             | 5,300                                                          | 277                                                          | 142                                                                       |
| 43                 | Mongkok        | 552             | 4,600                                                          | 217                                                          | 113                                                                       |
| 44                 | Cheung Sha Wan | 600             | 4,150                                                          | 229                                                          | 121                                                                       |
| 45                 | Cheung Sha Wan | 570             | 4,370                                                          | 228                                                          | 121                                                                       |
| 46                 | Cheung Sha Wan | 540             | 3,950                                                          | 223                                                          | 120                                                                       |
| 47                 | Cheung Sha Wan | 520             | 4,100                                                          | 226                                                          | 109                                                                       |
| 48                 | Tai Wai        | 388             | 3,600                                                          | 155                                                          | 84                                                                        |

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Our existing property development portfolio consists of the following first hand property projects:

| Property Number | Project                   | Expected<br>GFA<br>(sq.ft.)<br>(approximate) |
|-----------------|---------------------------|----------------------------------------------|
| 1               | 575 Nathan Road Project   | 25,000                                       |
| 2               | Sze Shan Street Project   | 272,000                                      |
| 3               | Hang Kwong Street Project | 115,000                                      |
| 4               | Ma Kam Street Project     | 200,000                                      |
| 5               | Tai Po Road Project       | 148,000                                      |

Under the Deed of Non-Competition, Parentco has undertaken to our Company that for so long as the Shares remain listed on the Stock Exchange and Parentco is interested directly or indirectly in 30% or more of the issued share capital of our Company, it will not and will procure its close associates will not (other than our Group), among other things, carry on, engage, invest or be interested in any business that is in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved. If Parentco or its close associates actually competes with our Group during the relevant Restricted Period (as defined in the paragraph headed “Deed of Non-Competition — Expiry” below in this section), Parentco would be in breach of its contractual undertakings under the Deed of Non-Competition and we may enforce the undertaking in court and take all such other legal actions as appropriate.

### INDEPENDENCE FROM PARENTCO

Based upon the following matters, the Board is satisfied that our Group is capable of carrying on its business independently from Parentco after the [REDACTED].

#### Independence of boards and management

Our Company has a board of directors and senior management that function independently from Parentco.

We have six Directors in our Board, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Only one non-executive Director, namely Mr. Chan Chun Hong, serves on the board of Parentco. Save for this, there is no overlapping directors and senior management between our Group and the Remaining Parentco Group.

Since Mr. Chan will not participate in the daily operations of our Group, the Board considers that the partial overlapping of directorship between our Company and Parentco will not impair the independence of our Board.

Mr. Chan is aware of his own fiduciary duties as a Director which requires, among other things, that he acts in the best interests of our Company. In the event there is any potential conflict of interest arising out of any transaction to be entered into between our Company and Parentco, Mr. Chan will abstain from voting at the relevant board meetings and shall not be counted in the quorum in accordance

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with the Bye-laws. On the procedures and other matters relating to declaration of interest by our Directors, please see the section headed “Summary of the Constitution of the Company and Bermuda Company Law” as set out in Appendix IV to this [REDACTED].

### **Operational independence**

We have not entered into any transactions with members of the Remaining Parentco Group that will continue after the [REDACTED]. Our Company and Parentco make business decisions independently, and we have sufficient capital, assets and employees to operate our business independently from Parentco.

In addition, our Directors consider that our operations do not depend on Parentco as we have our own team of senior management who are responsible for the operations of our Group. There is no overlap of operations between the Remaining Parentco Group and our Group.

### **Financial independence**

We have our own accounting systems, dedicated accounting and finance personnel, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs. During the Track Record Period and prior to the Spin-off, members of the Remaining Parentco Group provided guarantees in connection with credit facilities provided by financial institutions to members of our Group. We have received the relevant consents from all lenders with which our Group has arranged credit facilities to the effect that, upon [REDACTED], our Company will, in place of Parentco, become the guarantor for all credit facilities granted in favour of members of our Group. Accordingly, we do not rely on any guarantees provided by the Remaining Parentco Group. Further, all shareholders’ loans between members of the Remaining Parentco Group and our Group will either be repaid or capitalised.

In respect of future financial resource requirements, we may either obtain loans from financial institutions, or raise funds through equity financing (other than from the Parentco Group), and will not be dependent on the Remaining Parentco Group for future financing. Based on the above, our Directors believe that we are financially independent of the Remaining Parentco Group.

### **Independence of administrative capability**

Our administrative and non-management functions are separate and independent from the Remaining Parentco Group. The Directors therefore consider that our company administration is independent of the Remaining Parentco Group.

## **DEED OF NON-COMPETITION**

Under the Deed of Non-Competition, Parentco has irrevocably undertaken and warranted in favour of our Group that for so long as the Shares remain listed on the Stock Exchange and Parentco is interested directly or indirectly in 30% or more of the issued share capital of our Company, it will not and will procure its close associates (other than our Group) will not, on its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group) and whether directly or indirectly, carry on, engage, invest or be interested or otherwise involved

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in any business that is in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time (the “**Restricted Business**”) or in which any member of our Group is engaged or has invested or is otherwise involved.

The Deed of Non-Competition does not apply to the holding of shares or other securities in any company that engages in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of Parentco and its close associates does not exceed 5% of the issued share capital of the company concerned.

### **New Business Opportunity**

If Parentco and/or its close associates is offered or otherwise intends to take up any business opportunity which directly or indirectly engages in or owns the Restricted Business (the “**New Business Opportunity**”):

- (a) it shall within 10 business days of being offered or otherwise intending to take up such New Business Opportunity, notify our Company of such New Business Opportunity and refer the same to our Company for consideration, and shall provide the relevant information to our Company as we may require in order to enable us to make an informed assessment of such opportunity; and
- (b) it shall not, and shall procure that its close associates (other than our Group) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which Parentco or its close associates (other than our Group) invest or participate in are no more favourable than those notified to our Company.

Any Director who has any direct or indirect material interest in the New Business Opportunity shall abstain from attending (unless his/her attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any board meeting convened to consider such New Business Opportunity.

Our Board (including the independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity notified by Parentco or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The interest of our Company and all Shareholders as a whole will, among other factors, be taken into consideration by our Board in making the decision.

### **Expiry**

The non-competition undertaking by Parentco under the Deed of Non-Competition shall expire upon expiry of the Restricted Period (as defined below).

For the above purpose, the “**Restricted Period**” means the period commencing from the [REDACTED] and shall expire on the earlier of the dates below:

- (a) the date on which Parentco and its close associates legally and beneficially cease to be controlling shareholders of our Company for the purpose of the Listing Rules; and

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- (b) the date on which the Shares cease to be listed on the Stock Exchange.

Parentco has undertaken under the Deed of Non-Competition that it shall provide to our Company and the Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition during the Restricted Period by Parentco. Parentco has also undertaken to make an annual declaration as to compliance with the terms of the Deed of Non-Competition during the Restricted Period in our Company's annual report. The undertakings given by Parentco under the Deed of Non-Competition are contractual obligations binding on the Parentco. As the directors of WOG are under fiduciary duty to act in the interests of WOG, they may be personally accountable if they, in breach of such fiduciary duty, procure WOG to knowingly contravene such contractual non-competition obligations. Our Directors therefore believe that the Deed of Non-Competition will be effective against WOG.

### MEASURES TO BE TAKEN BY OUR COMPANY TO ENSURE COMPLIANCE WITH THE DEED OF NON-COMPETITION

Notwithstanding the limited extent of potential competition (if any) that may arise between our Company and Parentco, our Directors recognise the importance of good corporate governance for the protection of the interests of our Shareholders. In order to properly manage any potential or actual conflict of interests between our Group and Parentco in relation to compliance and enforcement of the Deed of Non-Competition, our Company will adopt the following corporate governance measures with a view to further safeguarding the Shareholders' interests by monitoring compliance by Parentco with the Deed of Non-Competition on an annual basis and enhancing transparency through reporting to Shareholders on a regular basis:

- (i) the independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition by Parentco;
- (ii) the independent non-executive Directors shall be allowed to seek independent professional advice in appropriate circumstances at our Company's costs for the purpose of ensuring compliance with the terms of the Deed of Non-Competition;
- (iii) our Company will disclose any material decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through our Company's annual report or by way of announcement; and
- (iv) in the event that any of the Directors and/or their respective close associates has a material interest in any matter to be deliberated by the Board in relation to compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolution of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provision in our Bye-laws.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Parentco and its close associates on one hand and our Group on the other hand.

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### PERSONAL PROPERTY INTERESTS HELD BY NON-EXECUTIVE CHAIRMAN

As at the Latest Practicable Date, our executive Directors do not hold any property in Hong Kong. Our non-executive chairman holds two properties in Hong Kong which are for personal residential use for himself and his relative. For the purpose of Rule 8.10(2) of the Listing Rules, details of these two properties (“**Personal Properties**”) are as follows:

| Owner of property         | Location | SFA<br>(approximate<br>sq.ft.) | Type of<br>property | Market value                                     |
|---------------------------|----------|--------------------------------|---------------------|--------------------------------------------------|
|                           |          |                                |                     | as at<br>30 September<br>2015<br><i>HK\$'000</i> |
| Winca Consultants Limited | Hung Hom | 807                            | residential         | 10,200                                           |
| Winca Consultants Limited | Hung Hom | 461                            | residential         | 6,800                                            |

These Personal Properties are not included in the property portfolio of our Group as they are personal properties of the Director for him and his relative to reside in. As our Company has a team of management personnel who runs the property business of our Group, the Directors are of the view that our Group can operate independently of our non-executive Chairman.

### UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

[REDACTED]

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**[REDACTED]**