
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INFORMATION ON THE CONTROLLING SHAREHOLDERS

Prior to the Spin-off, our Group primarily operated the residential real estate business under and as a part of Karrie International Group. As at the Latest Practicable Date, Karrie International held the entire issued share capital of our Company. As disclosed in the section headed “The Distribution and Spin-off” in this listing document, the Distribution will be satisfied by way of a distribution to the Qualifying Karrie International Shareholders of the entire issued share capital of our Company, in proportion to their shareholdings in Karrie International on the Distribution Record Date, on the basis of one Share for every [REDACTED] Karrie International Shares held on the Distribution Record Date. As a result, immediately after the Distribution, our Company will cease to be a subsidiary of Karrie International, and Mr. Ho Cheuk Fai, Ms. Ho Po Chu, New Sense Enterprises Limited (“**New Sense**”), Honford Investments Limited (“**Honford Investments**”), Castfast Properties Development Co., Limited (“**Castfast Properties**”) and The Wedding City Co. Limited (“**The Wedding City**”) will be the Controlling Shareholders of our Company. We will operate independently from our Controlling Shareholders and their close associates, details of which are set out below.

Our Controlling Shareholders

As at the Latest Practicable Date, Karrie International was directly owned as to approximately [REDACTED] by New Sense and approximately [REDACTED] by Castfast Properties. New Sense was directly wholly owned by TMF (B.V.I.) Limited (“**TMF**”), while Castfast Properties was directly owned by Honford Investments as to [REDACTED] of the issued share capital, which was in turn directly wholly owned by TMF. TMF is the corporate trustee of The Ho Family Trust.

As at the Latest Practicable Date, Karrie International was directly owned as to approximately [REDACTED] by The Wedding City, which was in turn owned as to [REDACTED] and [REDACTED] by Mr. Ho Cheuk Fai and Ms. Ho Po Chu respectively. Mr. Ho Cheuk Fai and Ms. Ho Po Chu also directly held approximately [REDACTED] and [REDACTED] shareholding in Karrie International respectively.

Immediately following completion of the Spin-off and assuming the aforementioned shareholdings in Karrie International remains unchanged on the Distribution Record Date, Mr. Ho Cheuk Fai, who is entitled to exercise or control the exercise of approximately [REDACTED] of the voting power in our Company held by New Sense and Castfast Properties under The Ho Family Trust, approximately [REDACTED] voting power in our Company held by The Wedding City, and approximately [REDACTED] voting power in our Company personally held by him will be a Controlling Shareholder within the meaning of the Listing Rules. Ms. Ho Po Chu is entitled to exercise or control the exercise of approximately [REDACTED] voting power in our Company personally held by her, and is the spouse of Mr. Ho Cheuk Fai and is accordingly a close associate of him and is deemed to be a Controlling Shareholder upon Listing. Further, although each of New Sense, Castfast

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Properties, Honford Investments and The Wedding City will not control more than [REDACTED] of the issued share capital of our Company upon Listing, each of them is a close associate of Mr. Ho Cheuk Fai for the purpose of the Listing Rules and is accordingly deemed to be a Controlling Shareholder upon Listing.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS AND THE REMAINING GROUP

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after completion of the Spin-off other than the transactions as disclosed in the section headed “Continuing Connected Transactions” in this listing document. Taking into account the factors discussed in the paragraphs below, our Directors are satisfied that our Group will be able to conduct its business operationally and financially independent of the Controlling Shareholders and the Remaining Group.

Clear delineation of business

Delineation from the Remaining Group

The Remaining Group is principally engaged in metal and plastic business and electronic manufacturing services business, whereas our Group will focus on the real estate business, in particular the development of residential properties in the PRC for sale. There is no overlap between the principal businesses of the Remaining Group and our Group.

As at the Latest Practicable Date, besides the principal operation of its metal and plastic business and electronic manufacturing services business, the Remaining Group also owned two pieces of lands (“**Lands**”) located at Jiangsu Province, the PRC, one of which has been left idle and the other of which is currently vacant. As at the Latest Practicable Date, the Remaining Group has no intention to operate real estate business after the Spin-off. Although the Remaining Group owns the Lands, it has no development plan for the Lands and will not engage in the development of residential nor non-residential properties on such Lands. The Remaining Group intends to dispose these Lands to Independent Third Parties and is in the course of searching for potential buyer(s) for the Lands. As at 30 September 2022, the fair value of land cost in relation to the Lands amounted approximately RMB77.5 million, which was immaterial to the Remaining Group as it only represented approximately 2.67% of its total assets. Further, the Remaining Group does not intend to inject such business to our Group. Our Directors consider that such business of the Remaining Group does not compete with our Group’s business given that our Group is intended to focus on the develop of residential property projects in the selected cities in the Greater Bay Area

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for sale, while the Remaining Group does not intend to development any residential properties, which is the focus of the business of our Group, in the Lands. Further, the Lands cannot be used for residential development in accordance with their land use rights certificate.

Delineation from the Controlling Shareholders

As at the Latest Practicable Date, Mr. Ho Cheuk Fai controls other businesses which are outside the Remaining Group and our Group. Among others, Mr. Ho Cheuk Fai controls the following category of the business or owns the following properties which Mr. Ho Cheuk Fai has no intention to inject into our Group (“**Excluded Business**”):

- (a) tourism business — Dongguan Karrie Resort Limited* (東莞嘉利渡假休閒有限公司), a company controlled by Mr. Ho Cheuk Fai, was engaged in the business of operating a theme park located at Dongguan City;
- (b) commercial centre business — Dongguan Castfast Door and Window Products Co., Ltd.* (東莞嘉輝門窗製品有限公司) (“**Dongguang Castfast DW**”), which was controlled by Mr. Ho Cheuk Fai, was engaged in the business of operating two commercial centres in Dongguan City, Guangdong Province, the PRC (including shopping mall, office buildings and carparks). As at the Latest Practicable Date, this company is not engaged in any activities for development of residential properties;
- (c) property leasing business — (i) Yixing Yongtai Electronic Technology Co. Limited* (宜興永泰電子科技有限公司), a company controlled by Mr. Ho Cheuk Fai, was engaged in the leasing business for a commercial property (including offices and staff quarters) located at Yixing City, Jiangsu Province; and (ii) Dongguan Jiale Enterprise Development Company Limited* (東莞嘉樂企業發展有限公司), a company controlled by Mr. Ho Cheuk Fai after completion of the Reorganisation, was engaged in the leasing business of staff quarters in Fenggang Town, Dongguan City, Guangdong Province, the PRC, and two non-residential properties in Fenggang Town, Dongguan City, Guangdong Province, the PRC, as well as the leasing business of kindergarten and car parks in Phase 3 of Castfast Villas.

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Our Directors are of the view that the Excluded Business does not compete with our Group’s business for the follow reasons:

- (a) our Group is intended to focus on the development of residential property projects for sale. On the other hand, the Excluded Business involves (i) operating the theme parks and commercial centre to generate revenue instead of selling such non-residential properties and (ii) the property leasing business for offices, staff quarters, canteens and other non-residential properties. Our Directors consider that the nature of the Excluded Business is very different from and does not compete with our Group’s development of residential properties for sale;
- (b) although in the past certain company in the Excluded Business, being Dongguan Castfast DW, was engaged in residential property development, as at the Latest Practicable Date Dongguan Castfast DW had ceased to have any business in residential property development; and
- (c) Mr. Ho Cheuk Fai is the only overlapping director between our Group and the Excluded Business. The Excluded Business is managed by a separate management team none of whom, other than Mr. Ho Cheuk Fai, is our Director or senior management. Further, following the completion of the Spin-off, Mr. Ho Cheuk Fai will not play any executive role in our Group and will not be involved in the day-to-day management and operation of our Group.

Further, Mr. Ho Cheuk Fai, through a company controlled by him, owns the premises situate at 9/F, Southeast Industrial Building, 611–619 Castle Peak Road, Tsuen Wan, Hong Kong, which is being leased to the Karrie International, for the purpose of receiving rental income. Although our Group currently leases a piece of land for rental income, part of which is leased to a connected person details of which are set out in subsection headed “Continuing Connected Transactions — Fully Exempt Continuing Connected Transactions — Tenancy Agreement with Cui Feng Robotics”, such rental income is insignificant to our Group and amounted to RMB1.5 million, RMB1.4 million, RMB1.4 million and RMB0.8 million respectively for the three years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022. Given that our Group is intended to focus on the development of residential property projects for sale rather than the purchasing of properties for investment for rental income and sale, our Directors consider that the properties owned by Mr. Ho Cheuk Fai do not compete with our Group’s business and Mr. Ho Cheuk Fai has no intention to inject the investment properties to our Group.

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Save as disclosed in this sub-section headed “Independence from the Controlling Shareholders and the Remaining Group”, neither our Controlling Shareholders and their respective close associates, nor our Directors are interested in any business apart from our Group’s business which competes or is likely to complete, directly or indirectly, with our Group’s business and which disclosure is required pursuant to Rules 8.10(1) and (2) of the Listing Rules.

Management Independence

Upon completion of the Spin-off, our Group and the Remaining Group will have boards of directors that function independently of each other. The table below sets forth the directorship of our Group and the Remaining Group immediately upon Listing:

Name	Position in our Company	Position in Karrie International
Mr. Ho Cheuk Fai	Chairman of our Board and non-executive Director	Chairman of the board, executive director and chief executive officer
Ms. Chan Ming Mui, Silvia	—	Executive director
Mr. Zhao Kai	—	Executive director
Mr. Chan Raymond	—	Executive director
Mr. Ho Cheuk Ming	—	Non-executive director
Mr. Ho Kai Man	—	Non-executive director
Mr. Ho Man Chung	Executive Director and chief executive officer	—
Mr. Ho Wai Hon, Brian	Executive Director	—
Ms. Yiu Yuet Fung	Executive Director	—
Mr. Zhu Nian Hua	Executive Director	—
Dr. Lau Kin Wah	—	Independent non-executive director
Mr. Fong Hoi Shing	—	Independent non-executive director

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<u>Name</u>	<u>Position in our Company</u>	<u>Position in Karrie International</u>
Mr. Yam Chung Shing	—	Independent non-executive director
Mr. Ho Lai Hong	Independent non-executive Director	—
Dr. Lo Yung Fong	Independent non-executive Director	—
Mr. Choi Wai Hin	Independent non-executive Director	—

Other than Mr. Ho Cheuk Fai, who is also the chairman of the board, chief executive officer and an executive director of Karrie International, there are no overlapping directorships between our Board and the Karrie International Board. Following completion of the Spin-off, Mr. Ho Cheuk Fai will not play any executive role in our Group and will not be involved in the day-to-day management and operation of our Group.

The senior management team of our Group consists of Mr. Wong Ho Kwan, Ms. Yang Xiuchun and Mr. Guo Laifu. They possess relevant management experience and have assumed senior management and supervisory responsibilities for our Group's business. Save for Mr. Wong Ho Kwan, who is also the chief financial officer of Karrie International, from which position he will resign before the Listing, there is no overlapping personnel between the senior management of our Group and the Remaining Group.

Our Directors consider that our Group will be able to operate independently of the Remaining Group following completion of the Spin-off for the following reasons:

- (a) Mr. Ho Cheuk Fai, our non-executive Director and chairman of the Board, is the only overlapping director between our Company and Karrie International. Although Mr. Ho Cheuk Fai would remain as the chairman, the chief executive officer and an executive director of the Remaining Group responsible for the Remaining Group's daily operations and the overall corporate strategies and objective, his role in our Group is non-executive in nature for developing corporate strategies for our Group and he will not be involved in the day-to-day management and operation of our Group. It is expected that Mr. Ho Cheuk Fai will spend approximately 80% and 20% of his time in the Remaining Group and our Group respectively. On issues that involve our Group and the Remaining Group where Mr. Ho Cheuk Fai may have actual or potential conflict of interest, Mr. Ho Cheuk Fai will abstain from voting on relevant board decision in view of his roles in both our

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Group and the Remaining Group. Save that Mr. Ho Cheuk Fai is the father of Mr. Ho Wai Hon, Brian, the brother of Mr. Ho Cheuk Ming and the uncle of Mr. Ho Kai Man, Mr. Ho Cheuk Fai has no relationship with other Directors of our Company and the directors of Karrie International;

- (b) the management and day-to-day operations of our Group are managed by Mr. Ho Man Chung, Mr. Ho Wan Hon, Brian, Ms. Yiu Yuet Fung and Mr. Zhu Nian Hua, who are our executive Directors of our Company and will not have any roles in the Remaining Group following completion of the Spin-off;
- (c) although the board of Directors of Karrie International and our Company consists of Mr. Ho Cheuk Fai and/or his associates, each of Karrie International and our Company will have other directors who are independent of Mr. Ho Cheuk Fai and his associates to handle the operations of each company;
- (d) all our independent non-executive Directors do not, and will not, have any ongoing role with the Remaining Group and accordingly, our independent non-executive Directors will be able to provide independent judgement on matters discussed by our Board and take the lead where potential conflicts of interest arise, including in respect of any connected transactions. All non-exempt connected transactions will be reviewed by the audit committee, which majority and chairman will be our independent non-executive Directors;
- (e) all members of our senior management are our full-time employees and have assumed senior management and supervisory responsibilities for our Group's business. Their management and supervisory functions will ensure that our Group's management and daily operations are independent of the Remaining Group;
- (f) the majority of the members of each of the Remuneration Committee, Nomination Committee and Audit Committee will also be our independent non-executive Directors;
- (g) each of our Directors have received training on and is aware of their responsibilities as directors, including on their fiduciary duties to act in the best interests of our Company, which require, among other things, that he or she acts for the benefit and in the best interest of our Shareholders as a whole and does not allow any conflict between his duties as a Director and his or her personal interests to affect the performance of his or her duties as a Director; and

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- (h) we have adopted a number of corporate governance measures in order to manage any potential conflict of interest which may arise between our Group and the Remaining Group or our Controlling Shareholders and to safeguard the interests of our Shareholders.

Administrative and Operational Independence

Following completion of the Spin-off, all essential administrative functions of our Group will be carried out by us without support from the Remaining Group. In particular, the administrative staff (including the company secretary) of our Group will be separated from that of the Remaining Group after the Spin-off. During the Track Record Period, certain staff such as the chief financial officer and the company secretary served both our Group and the Remaining Group. These functions will be separated after the Spin-off. Save as disclosed in the section headed “Continuing Connected Transaction” in this listing document, our Group’s business operation will be independent from the Remaining Group. On the other hand, the operation of the Remaining Group will continue to be managed by Karrie International’s directors and senior management which are, save for Mr. Ho Cheuk Fai, independent from our Group.

Financial Independence

Our Company is empowered to make independent decision of business financial matters. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from financial perspective.

As at 30 September 2022, our borrowing in the amount of approximately RMB146.7 million in total was guaranteed by Karrie International and Karrie International (BVI) Limited, a member of the Remaining Group. The relevant guarantees will be released before or upon completion of the Spin-off.

As at the Latest Practicable Date, the Remaining Group had paid certain expenses on behalf of our Group in relation to Phases 4 and 5 of Castfast Villas, which amount will be fully settled by our Group to the Remaining Group before the Listing.

DEED OF NON-COMPETITION

To protect our Group from any potential competition, each of our Controlling Shareholders [has] entered into the irrevocable Deed of Non-competition in favour of our Company (for itself and for the benefits of its subsidiaries) pursuant to which each of them has, among other matters,

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irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective associates (other than our Group):

- (a) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business of our Group referred to in this listing document and any other business from time to time conducted or carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "**Restricted Activity**") save for the holding of not more than 5% shareholding interests (individually or with any of our Controlling Shareholders and their respective associates) in any listed company and the Excluded Business;
- (b) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition; and
- (c) to make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he/she or its/his/her close associate(s) (other than any member of our Group) (the "**Offeror**") is given or offered or has identified any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the "**New Opportunities**"), it/he/she will and will procure its/his/her close associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

- (a) each of our Controlling Shareholders is required to, and shall procure its/his close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New

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Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “**Offer Notice**”); and

- (b) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the “**Independent Board Committee**”) which comprises all our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from our Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

Where our Controlling Shareholders and/or their close associates (other than our Group) have acquired any business, investment or interest in any entity relating to the Restricted Activity pursuant to the immediately preceding point (ii) above, our relevant Controlling Shareholders and/or their associates (other than our Group) shall provide us with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such business, investment or interest under the same circumstances. Where our Independent Board Committee decides to waive the Pre-emptive Right by way of written notice, our relevant Controlling Shareholders and/or their close associates (other than our Group) may offer to sell such business, investment or interest in Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of:

- (a) the date on which our Controlling Shareholders and their associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the Listing Rules; and

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- (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange. The Deed of Non-competition is subject to and conditional upon the Listing.

The Deed of Non-competition is subject to and conditional upon the Listing.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and Directors on one hand and our Group on the other hand will be taken:

- (a) as part of our preparation for the Spin-off, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides 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 close associates has a material interest nor shall such Director be counted in the quorum present at the board meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her close 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 Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possesses 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 judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to the subsection headed “Directors, Senior Management and Employees — Board of Directors — Independent non-executive Directors” in this listing document;

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- (d) we have appointed Dongxing Securities (Hong Kong) Company 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;
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and
- (f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

[REDACTED]

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[REDACTED]