



CAUSE NO. FSD 90 OF 2024 (JAJ)

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

IN THE MATTER OF THE COMPANIES ACT (2023 REVISION)
AND IN THE MATTER OF SHILIU INVESTMENT GROUP LIMITED

BEFORE THE HONOURABLE JUSTICE JALIL ASIF KC
IN CHAMBERS

20 NOVEMBER 2024

BETWEEN:

JIA LING JIANG LIMITED

Petitioner

-and-

- (1) QI XIA SHAN LIMITED**
- (2) ZI JIN SHAN LIMITED**
- (3) WU TONG SHAN LIMITED**

Respondents

CONSENT ORDER

UPON the Respondents' application by emailed dated 20 November 2024

AND UPON the parties by their counsel having indicated their consent to the Court making an order in the following terms

AND UPON the Court considering the application suitable to be disposed of on the papers without the need for an oral hearing

IT IS HEREBY ORDERED BY CONSENT that:

1. The Respondents have leave to amend their Defence dated 23 May 2024 pursuant to GCR O.20, r.12(1) in accordance with the draft annexed hereto.
2. The Respondents shall file and serve their Amended Defence within two business days of this Order being sealed.

THIS ORDER of the Respondents was filed by Carey Olsen, attorneys-at-law for the Respondents, whose address for service is Level 1, Willow House, Cricket Square, Grand Cayman, Cayman Islands KY1-1001.

3. The Petitioner has leave to make consequential amendments to its Reply, if so advised, and shall file and serve the same within 14 days of service of the Amended Defence.
4. The Respondents shall pay the Petitioner's costs of and occasioned by the amendments to the Defence to be taxed on the standard basis if not agreed.

Dated 21 November 2024

Filed 21 November 2024



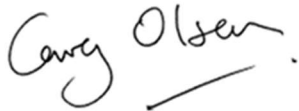
THE HONOURABLE JUSTICE JALIL ASIF KC
JUDGE OF THE GRAND COURT

Approved as to form and contents



HARNEY WESTWOOD & RIEGELS
Attorneys for the Petitioner

Approved as to form and contents



CAREY OLSEN
Attorneys for the Respondents

ANNEX TO ORDER DATED 20 NOVEMBER 2024

AMENDED ON [DATE] PURSUANT TO GRAND COURT RULES O.20, R.12(1) BY CONSENT ORDER DATED 21 NOVEMBER 2024

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Respondents

[DRAFT] AMENDED DEFENCE

A. Introduction

1. This Amended Defence ("**Defence**") is filed by the Respondents, Qi Xia Shan Limited, Zi Jin Shan Limited, and Wu Tong Shan Limited, in response to the Winding Up Petition ("**Petition**") presented by Jia Ling Jiang Limited ("**Petitioner**").

2. Save where the same consists of admissions or non-admissions, each and every allegation contained in the Petition is denied as if set out in this Defence and separately denied. As is pleaded in more detail below, it is denied that the Petitioner is entitled to the relief sought in the Petition or to any relief. The specific pleas set out in this Defence are without prejudice to the generality of the foregoing.
3. Except where otherwise stated or the context otherwise requires, reference to paragraphs in this Defence are to those of the Petition. Capitalised terms used but not otherwise defined in this Defence have the meanings given to them in the Petition. For the avoidance of doubt, the adoption of any such capitalised terms by the Respondents is for convenience only and no admission should be inferred from their use. Similarly, any section headings adopted from the Petition are adopted for ease of reference only and without any admission.

B. The Company

4. Paragraphs 1-3 are admitted.
5. Paragraph 4 is admitted being the position prior to 3 July 2024. It is averred that:
 - (a) The Prior to 3 July 2024, the board of the Company currently hashad 6 directors, namely: Mr Cui, Mr Sang, Mr Lin Xinwu ("**Mr Lin**", a close confidant and ally of Mr Sang), Mr Cai Shaobin ("**Mr Cai**"), Mr Luo Geng ("**Mr Luo**") and Mr Kuang Wen ("**Mr Kuang**").
 - (b) On 24 October and 12 November 2023 respectively, Mr Kuang and Mr Luo sent to Mr Cui forms stating their resignation from all of their directorship and management roles in the Group. However, their resignations havewere not been completed in accordance with the Company's articles of association, which require such resignations to be sent to the Company's registered address.
 - (c) On 3 July 2024, the Company held an extraordinary general meeting as described in paragraph 13(b) below (the "3 July EGM") during which it was resolved by the members of the Company that: (i) Ms Zhu (Mr Cui's spouse, "**Ms Zhu**") be appointed as a director; and (ii) each of Mr Lin, Mr Luo and Mr Kuang be removed as directors of the Company.

(d) Following the 3 July EGM, the board of the Company has 4 directors, namely: Mr Cui, Mr Sang, Mr Zhu and Mr Cai.

C. The Company's Operations

6. Paragraph 5 is admitted in so far as it states the position prevailing on 5 March 2024. It is averred that the business of the Group is mainly focussed on real estate development and sales. The Company, together with the BVI and Hong Kong Subsidiaries, were holding companies for the PRC entities, including Shiliu PRC, which held the operating assets in the PRC up until 6 March 2024, after which Beijing Kadapu became the holding company for the PRC entities.
7. Paragraph 6 is denied. Neither the Group nor the Company are now or ever were a quasi-partnership between Mr Cui and Mr Sang. Without prejudice to the generality of the foregoing, the allegation of "*joint management and control over the operations of the Group and the Group Business*" is embarrassing for want of particularity. Further, it is denied, if it is alleged, that the Group or the Company was founded on any relationship of mutual trust and confidence between Mr Cui and Mr Sang. It is denied, if it is alleged, that there was any agreement or understanding between Mr Cui and Mr Sang that the latter had any inalienable entitlement to participate in the management or conduct of the business of the Group or the Company.
8. As to paragraph 7:
 - (a) The first sentence is denied. The phrase "*engaged in business together*" misdescribes the relationship between Mr Cui and Mr Sang in 1998. It is averred as follows:
 - (i) In 1994, Mr Cui started a real estate agency business on a self-employed basis in Nanjing, Jiangsu Province, under the name of Nanjing Zhongxin Real Estate Agency. That business was the origin of Shiliu PRC. By 1996, the business had four real estate agency stores in Nanjing. By 1998, the business at that time employed over 100 people, had 3 large real estate agency stores and an annual revenue of RMB 3 to 4 million (USD 0.4 million to 0.55 million). Mr Sang was not involved with that real estate business.
 - (ii) In the spring of 1998, Mr Sang, who was then 20 years of age and had not yet graduated from vocational school, met Mr Cui for the first time when he applied

for an internship in Mr Cui's real estate agency business. Mr Cui, who was 30 years old at the time and a successful real estate businessman in his own right, employed Mr Sang as an intern and subsequently as a sales agent at the real estate agency with a base salary of RMB 300 (USD 41) per month.

- (iii) During 1999 to 2000, Mr Cui expanded his real estate agency business to North China (i.e. the Shandong province) and established Jinan Lixia Huamei Da Real Estate Consultancy Center, again as the sole owner (publicly known as "Jinan Huajia Real Estate Consultancy Center").
 - (iv) In the premises, Mr Sang was not "*engaged in business*" with Mr Cui, whether in the Shangdong Province, in Beijing, or anywhere else. Mr Sang was a vocational school student who joined an already established and successful business founded by Mr Cui as a junior employee. The relationship between Mr Cui and Mr Sang began as one of employer and employee. It is averred that, notwithstanding Mr Sang's subsequent progression within the business, that relationship never changed into a relationship between equals or partners.
- (b) The second sentence of paragraph 7 is denied in so far as it seeks to allege that Mr Sang "*wound down*" the business in Shangdong and then "*set up*" a new business in Beijing jointly with Mr Cui. It is averred as follows:
- (i) The business which was actually wound down in Shangdong was Jinan Lixia Huameida Real Estate Consulting Office, a sole proprietor real estate agency business registered under Mr Cui's own name.
 - (ii) Between 2001 and 2008, Mr Cui started to further develop his real estate agency business in Beijing and appointed Mr Sang to assist in the work under Mr Cui's instruction.
 - (iii) The first business established on 8 November 2001 by Mr Cui in Beijing was a real estate agency company named Beijing Sanzhai Yisheng Real Estate Investment Consulting Co., Ltd (北京三宅一生房地产投资顾问有限公司 formerly known as Beijing Huamei Yaju Le Investment Consulting Co., Ltd 北京华美雅居乐投资顾问有限公司).

- (iv) Similarly, the companies below were established between 2001 and 2007 to conduct real estate agency business, namely:
- A. Beijing Agile Huamei Real Estate Brokerage Co., Ltd;
 - B. Beijing Luye Real Estate Brokerage Co., Ltd.;
 - C. Beijing Huamei Yaleju Real Estate Investment Consulting Co., Ltd;
and
 - D. Tianjin Huamei Binhai Real Estate Brokerage Co., Ltd ("**Tianjin Huamei**").
- (v) Since Mr Sang had demonstrated satisfactory performance, and as Mr Cui viewed Mr Sang then as his protégée, Mr Cui decided to gift him shares in the real estate agency business.
- (vi) As a result, by 2007, Mr Sang had become the legal owner of 42% of the interest in the real estate agency companies referenced at paragraph 8(b)(iv) above, including Tianjin Huamei which was established in November the same year (subsequently redomiciled to Beijing and renamed "Beijing Huamei Binhai Real Estate Brokerage Co., Ltd." ("**Huamei**"). Mr Cui owned the remaining 58% of the shares in Huamei.
- (vii) Mr Sang did not pay anything for the shares that he received.
- (viii) The arrangement whereby Mr Sang became the legal owner of 42% of Huamei did not change the employment status of Mr Sang. Mr Sang continued to act in his capacity as an employee of Mr Cui's real estate agency business. Mr Sang was not in any sense acting jointly with Mr Cui, but rather as Mr Cui's subordinate.
- (c) Save that it is admitted that Shiliu PRC was established in 2008, the third sentence of paragraph 7 is denied in so far as it seeks to allege that Shiliu PRC was established by Mr Cui and Mr Sang acting jointly as equals or in any sense as partners. The use of the phrase "*they established*" in relation to Shiliu PRC in the third sentence of

paragraph 7 is embarrassing for want of particulars and misdescribes the origins of Shiliu PRC. It is averred that:

- (i) Shiliu PRC was established in 2008 as part of restructuring Mr Cui's already extensive and successful real estate development business (as distinct from the real estate agency business described above), which Mr Cui began in about 2001, under a single corporate entity. Prior to Shiliu PRC, Mr Cui's real estate development business was owned by Mr Cui via several parallel structures. It is averred that the origin and nature of the real estate development business that eventually came to be held by Shiliu PRC was as described in the following subparagraphs.
- (ii) Beijing Yaju Le Real Estate Development Company ("**BJ Yaju Le**", 北京雅居乐房地产开发有限公司) was established in March 2001 with an original registered capital of RMB 10 million (approximately USD 1.4 million). The capital verification report issued by the relevant government authority dated 18 December 2002 records that Mr Cui contributed RMB 5.8 million (USD 0.7 million) and Mr Sang contributed RMB 4.2 million (USD 0.6 million) of the capital of BJ Yaju Le. However, based on the internal financial records kept by the Group and Mr Cui's own knowledge, the true position is that Mr Sang only paid RMB 2.6 million (USD 0.36 million) on the incorporation of BJ Yaju Le, and that sum was derived from revenue profit generated from Mr Cui's above-mentioned real estate agency business. The remaining RMB 1.8 million of the RMB 4.2 million was likewise derived from Jinan Huajia Real Estate Consulting Center, one of Mr Cui's real estate agency businesses, and was gradually paid to BJ Yaju Le over the years. In the premises, notwithstanding that Mr Cui and Mr Sang held the registered capital of BJ Yaju Le 58% and 42% respectively, their relationship was not that of equals or partners – as in other instances, Mr Sang was gifted his shareholding by Mr Cui.
- (iii) BJ Yaju Le was the project company to develop Huamei Oak Forest residential project (华美橡树林).
- (iv) Beijing Yongle Garden Development Co., Ltd. (北京永乐花园发展有限公司) was responsible for developing the K2 Ten Mile Spring Breeze project (十里春风), with

BJ Yaju Le holding 92% of the share capital and Langfang Weilan Real Estate Development Co. Ltd (“**Langfang Weilan**”, 廊坊蔚蓝房地产开发有限公司) holding the remaining 8%. Langfang Weilan was also owned by Mr Cui and Mr Sang. Mr Cui hence indirectly held 58.8472.70% shareholdings interest where Mr Sang indirectly held the remaining 41.1627.3% (“**BJ Yongle**”).

- (v) Beijing Yatong Real Estate Development Co., Ltd. (北京亚通房地产开发有限公司) was established in 2001 and was responsible for developing the K2 Hai Tang Wan project (K2 海棠湾), of which BJ Yaju Le held 99% of the shareholding with Mr Cui directly holding the remaining 1%. As such, Mr Cui indirectly held 58.42% shareholdings whereas Mr Sang indirectly held the remaining 41.58% (“**BJ Yatong**”).
- (vi) Beijing Gucheng Real Estate Development Co., Ltd (北京古城房地产开发有限公司) was established in 2001 (“**BJ Gucheng**”) and was responsible for developing the K2 Qing Shui Wan project (K2 清水湾), in which Mr Cui directly held 35% of the shareholding with BJ Yaju Le holding the remaining 65% shareholdings. As such, Mr Cui and Mr Sang (through BJ Yaju Le) indirectly held 72.72% vs 27.3% interest in BJ Ya-JuleGucheng.
- (vii) All the shareholdings held by Mr Sang in BJ Yaju Le, BJ Yongle, BJ Yatong, Langfang Welan and BJ Gucheng were gifted to him by Mr Cui.
- (viii) The Qing Shui Wan project, developed by BJ Gucheng and the Hai Tang Wan project, developed by BJ Yatong, later became the cornerstone projects of Shiliu PRC’s real estate development business; benefiting from their location, scale, profitability and brand, Together they contributed in total nearly RMB 10 billion (USD 1.38 billion) in cash flow and nearly RMB 3 billion (USD 0.4 billion) in profits to Mr Cui’s real estate development business.
- (ix) At the end of 2008, in order to restructure Mr Cui’s real estate development holdings from the single-project parallel holding structure described above to a group structure, whereby a single group company controls all the various real estate development projects, and to further develop the real estate development business, Shiliu PRC was established (originally known as Beijing Huamei

Qiaogoli Real Estate Investment Co., Ltd and operating the brand of "K2 Real Estate"). Shiliu PRC was owned by Huamei as to 99%, and by Ms Xu Lvyan ("Ms Lvyan"), Mr Cui's mother, as to 1%. At Shiliu PRC's incorporation, Ms Lvyan was the first legal representative and was replaced by Mr Cui on 28 June 2015. He was Shiliu PRC's legal representative from then until 27 March 2024, when he was replaced by Ms Zhu Yanping (Mr Cui's spouse, "Ms Zhu").

- (x) Thereafter, Mr Cui's real estate development business was restructured as follows:
- A. In April 2009, Shiliu PRC acquired 99% of BJ Yaju Le's equity in Beijing Yatong with Mr Cui directly holding the remaining 1%. The share capital increased by RMB 49.5 million and RMB 0.5 million respectively, to RMB 100 million (USD 13.8 million);
 - B. In June 2009, Shiliu PRC obtained a 96.5% equity stake in BJ Gucheng by acquiring all of the shares of BJ Yaju Le held by BJ Gucheng and increasing its share capital by RMB 60 million to USD 100 million. Mr Cui still directly held the remaining 3.5% shares in BJ Gucheng;
 - C. In June 2009, Shiliu PRC acquired 98.32% of the equity of Langfang Weilan;
 - D. In November 2015, BJ Yatong acquired 100% equity of Beijing Yongle Garden.
- (xi) It is admitted that at all relevant times Mr Sang held was an indirect legal owner of a 41.58% interest in Shiliu PRC through Huamei. However, Mr Cui's real estate development business began in 2001, with Shiliu PRC being inserted into the structure as the holding company only from 2008 onwards. Such shareholder interest as Mr Sang had in the underlying business prior to 2008 (or in Shiliu PRC later) did not connote any relationship of mutual trust and confidence between Mr Cui and Mr Sang or any inalienable right on the part of Mr Sang to participate in management of the business of Shiliu PRC or the underlying group.
- (xii) Both Shiliu PRC and the underlying group of companies were companies incorporated in the PRC, carrying on all their business in the PRC. It is averred

that the business relationship between Mr Cui and Mr Sang within the context of Shiliu PRC and the underlying group was at all times and continues to be governed by PRC law and by the articles of Shiliu PRC (and the various group companies).

(xiii) The incorporation of the Company as the Cayman Islands holding company for Shiliu PRC and the Group as a whole (for the purposes of effecting a public listing) adds nothing material to the nature of the relationship between Mr Cui and Mr Sang, which arises in the context of a substantive PRC based business governed by PRC law.

(xiv) In the premises, it is denied, if it is alleged, that Mr Sang enjoys any mutual understandings, has any relationship of mutual trust and confidence, or has any entitlement to participate in management vis-à-vis Mr Cui.

(d) The fourth sentence of paragraph 7 is admitted.

(e) Save that it averred that the listing in Hong Kong was ultimately abandoned, the fifth sentence is not admitted. It is averred that plans for such a listing were shelved following the high-profile default of China Evergrande and the change in market sentiment for the listing of mainland PRC based property development businesses in Hong Kong.

(f) The sixth sentence is admitted. It is averred that the temporary transfer of Shiliu PRC out of the Company's structure was required as an urgent counter-measure to defend against a coup orchestrated by Mr Sang to take control of the subsidiaries of the Company and its PRC assets following Mr Sang's Dismissal (as defined below) and in response to Shiliu PRC's efforts to prevent Ms Sang from illegally seizing and dissipating the substantial assets held in Beijing Beihu and Shanghai Changning Properties, the total value of which is approximately RMB 2 billion (as particularised below).

9. Paragraph 8 is denied. It is averred as follows:

(a) To the extent that Mr Cui gifted Mr Sang shares in Mr Cui's companies, the ratio was always 58 (Mr Cui) to 42 (Mr Sang), not "52% and 48%" as alleged.

- (b) It is denied, in so far as it is alleged that Mr Cui and Mr Sang have held their respective shareholding of 42% and 58% in the business since 2001. Paragraph 8 above is repeated.
- (c) It is denied that Mr Sang enjoyed "*joint rights of management and participation in the underlying business activities of all entities which they have been together engaged*". Paragraph 8 above is repeated. The Respondents also rely on the matters pleaded in the remaining sub-paragraphs of this paragraph 9.
- (d) In 2001, Mr Cui decided to enter the real estate development business by acquiring multiple large lots of lands through various corporate entities set up by himself as legal representative and director. Paragraph 8(c) above is repeated.
- (e) In or around 2008, Mr Cui started carrying out large-scale property development projects, the real estate development business having developed rapidly. The main corporate entity that undertook the real estate development business since 2008 was Shiliu PRC, which was incorporated in the same year.
- (f) Mr Cui was the director (since 28 July 2015, when the board was first established) and legal representative of Shiliu PRC (since its incorporation in 2008 and until March 2024, when he was replaced by his spouse Ms Zhu but remains as its general manager). Mr Cui oversaw all the major company decisions in relation to the real estate development projects. Mr Sang played no part in the operation of such business between 2013 and 2014.
- (g) Between 2013 and 2014, the real estate agency business had shrunk and was ultimately wound up (including Huamei). In contrast, Shiliu PRC's real estate development business continued to grow and became substantial. Mr Cui therefore gradually involved Mr Sang in the day-to-day operation of the real estate development business at his request.
- (h) At the same time, partly out of generosity and partly to incentivise Mr Sang, Mr Cui followed the 58:42 equity structure adopted in the real estate agency side of the business and gifted Mr Sang 41.58% of the shares in the real estate development side of the business through Beijing Kadapu and Beijing Anatolia Investment Co., Ltd ("**Beijing Anatolia**"). In May 2013, Shiliu PRC issued RMB 900 million of additional

shares (equivalent to 90% shares) to Beijing Kadapu. The sole shareholder of Beijing Kadapu was Beijing Anatolia. RMB 100 million of the shares in Shiliu PRC (equivalent to 9.9% shares) were also transferred from Huamei to Beijing Anatolia. Beijing Anatolia was held by Mr Cui and Mr Sang 58:42. Hence, Mr Cui and Mr Sang together indirectly held 99% of the shares in Shiliu PRC.

- (i) Notwithstanding the shareholding structures in Beijing Anatolia, Mr Cui remains the ultimate controller and occupies the key positions of executive director and general manager in Beijing Anatolia.
- (j) By August 2015, the real estate development business had matured, and the focus had shifted to maintaining the business operation in an efficient and organised manner. With a view of improving the corporate governance of Shiliu PRC and the underlying business, Mr Cui procured the steps described in the following sub-paragraphs to be taken.
- (k) On 24 August 2015, Shiliu PRC established a board of directors for the first time. The first directors of Shiliu PRC, who were all nominated by Mr Cui, were:
 - (i) Mr Cui;
 - (ii) Mr Sang, who was nominated by Mr Cui and appointed by the board to be the general manager of the company;
 - (iii) Mr Wang Zhi, who was appointed to be in charge of the company's primary development business;
 - (iv) Mr Kuang, who was appointed as a vice president and CFO;
 - (v) Mr Lin, who was appointed as a vice president in charge of the company's legal affairs; and
 - (vi) Mr Zhang Tingwen, who was appointed as vice president in charge of Human Resources.
- (l) Under the PRC Company Law 2015, a shareholders' meeting was called to elect and replace directors and supervisors who were not employee representatives and to decide on matters relating to the remuneration of directors and supervisors. The board

of directors in the PRC decides on the appointment or dismissal of the Company's manager and his or her remuneration.

(m) At the same time, Shiliu PRC also established a supervisory board, comprising:

(i) Qiu ~~Xiaojun~~ Xiaosun;

(ii) Sheng Minmei; and

(iii) Zhu Lili.

(n) As a matter of PRC law, directors of Shiliu PRC including Mr Cui and Sang cannot concurrently sit on the supervisory board while holding Shiliu PRC directorships. As a matter of PRC law, the role of the supervisory board is to supervise the operation of Shiliu PRC and the behaviour of both directors and senior management in carrying out their functions.

(o) Upon the establishment of the board of directors, Mr Cui nominated Mr Sang to be appointed by the board as the general manager of Shiliu PRC (a function which Mr Cui discharged informally before 28 July 2015 and then formally for periods between 28 July and 24 August 2015, and since the Dismissal (as defined at paragraph 9(s) below)). The general manager is mainly responsible for the day-to-day management and operation of Shiliu PRC (similar to a chief executive officer). After delegating the role of general manager to Mr Sang, Mr Cui focused on the strategic investment and direction of the Group Business.

(p) As a matter of PRC law, the general manager is accountable to the board of directors, and his powers and functions include presiding over the production and operational management of the company and organizing and implementing the resolutions of the board of directors. Paragraph 9(n) above is repeated. In the premises, Mr Sang's role at Shiliu PRC was subordinate to the board, which had the power to remove him.

(q) In or around March 2018, certain irregularities and mismanagement within the Group came to Mr Cui's attention. They are elaborated on in paragraph 20 below. Shiliu PRC did not take any immediate action against Mr Sang at the time given that the business had been hit by the global economic downturn and a public confrontation with Mr Sang would adversely affect the business of Shiliu PRC including its ability to borrow.

- (r) It was not until August 2019 that Shiliu PRC appointed a professional manager, Mr Luo, with an intention to replace Mr Sang as the general manager in place of Mr Sang. At the same time, however, with a view to repairing the relationship, Mr Cui nominated Mr Sang as vice chairman of the board.
- (s) However, Mr Sang refused to give up management control and continued to act as the de facto "general manager" of Shiliu PRC. Mr Sang's conduct became increasingly concerning and damaging to the business to the point when, on 21 June 2023, Mr Sang was removed from all of his management roles in Shiliu PRC (the "Dismissal").
10. Paragraphs 9 to 12 are admitted to the extent that they state the position prevailing in March 2024.
11. Paragraph 13 is denied. It is averred as follows:
- (a) Beijing Minjiang was the sole shareholder of Shiliu PRC until 6 March 2024 when 100% of the shareholding in Shiliu PRC was transferred to an associated company of the Group, Beijing Kadapu, a wholly owned subsidiary of Beijing Anatolia which in turn is. At all times until June 2024 (when Shiliu PRC claimed that all shares in Beijing Anatolia registered in the names of Mr Cui and Mr Sang were held on trust for Shiliu PRC, which point is now the subject of legal proceedings in the PRC between Shiliu PRC, Mr Sang, and Beijing Anatolia), Mr Cui understood Beijing Anatolia to be held by Mr Sang and Mr Cui legally and beneficially in exactly the same shareholding proportions as they hold in the Company (i.e. 42% vs 58%).
- (b) Beijing Kadapu is part of a group of companies set up by Mr Cui and Mr Sang for the then anticipated listing on Shanghai Stock Exchange and for holding the majority stake in the Group from time to time. Mr Sang is a registered supervisor of Beijing Anatolia.
- (c) It is averred that, as a matter of PRC law, as a registered supervisor of Beijing Anatolia, Mr Sang has certain corporate powers to supervise the directors and the senior management.
- (d) Mr Sang (A) holds It was Mr Cui's genuine belief at the date of the transfer of Shiliu PRC to Beijing Kadapu and at all times thereafter until June 2024, that Mr Sang held exactly the same indirect legal and beneficial shareholding (42%) in Shiliu PRC today

via Beijing Anatolia and Beijing Kadapu as he held until 6 March 2024 via the Company; ~~and (B).~~ Mr Sang enjoys powers to supervise the conduct of directors and senior management in the performance of their duties for the company, including requiring them to address situations that are adverse to Beijing Anatolia's interests. The characterisations of "*Dissipation Event*" and that "*Shiliu PRC and the Group Business have been transferred away from the Group*" are therefore denied.

- (e) It is averred that the transfer of Shiliu PRC was an urgent counter-measure intended (A) to defend against a coup orchestrated by Mr Sang to take control of the Group Business away from Mr Cui and (B), more importantly, to protect the assets and interests of the Group from dissipation or interference by Mr Sang, as particularised below.
- (f) On 9 February 2024, Mr Sang, purportedly in his capacity as a director of the Company, but in reality, acting in his own self-interest, sought to call a board meeting on inadequate notice with the intention of taking control of the Company's subsidiaries and seizing the assets of Shiliu PRC for himself (the "**14 February Meeting**"). As a result of short and inadequate notice, the 14 February Meeting was attended by Mr Sang alone together with just one other director, his confidant Mr Lin. As a result of excluding other directors, including Mr Cui, from the 14 February Meeting, Mr Sang succeeded in purportedly passing resolutions that enabled him to seize control of the Group from Mr Cui.
- (g) On or around 6 March 2024, Mr Sang and Mr Lin also attempted to remove Mr Cui as the legal representative of Taihang Shan with a view to exclude him from management control and oversight of Beijing Minjiang and thereafter, Shiliu PRC. It is averred that the actions of Mr Sang pleaded in the foregoing paragraphs were part of a plan wrongfully to take control of the PRC subsidiaries to the exclusion of Mr Cui.
- (h) The 14 February Meeting, and the resolutions purportedly passed at it which sought unlawfully to change the boards of the subsidiaries of the Company, are currently the subject of extant court proceedings in the Cayman Islands (FSD 105 of 2024 (JAJ)) and in Hong Kong (HCA 433 of 2024).
- (i) Apart from the Cayman Islands and Hong Kong proceedings, Shiliu PRC and the Group's Subsidiaries are also involved in extant court proceedings against Mr Sang

and his confidants in the PRC. These include proceedings to prevent Mr Sang from continuing illegally to seize and dissipate substantial assets held in Beijing Beihu and Changning Properties (as particularised below) ((2024) Zhe 02 Min Chu No, 127 ((2024)浙 02 民初 127 号), (2023) Hu 0105 Min Chu No. 28969 ((2023)沪 0105 民初 28969 号) and (2023) Hu 0105 Min Chu No. 28927((2023)沪 0105 民初 28927 号).

- (j) The 14 February Meeting, and the resolutions that were purportedly passed at the meeting, were steps that had the potential consequence of severely damaging and interfering with the Group's business, assets, records and conduct of the extant proceedings and hence, needed to be addressed urgently.
 - (k) As an urgent counter-measure, therefore, and only in order to protect the assets and interests of the Group, on 6 March 2024, Shiliu PRC was transferred from Beijing Minjiang (an indirect 100% subsidiary of the Company) to Beijing Kadapu (a company in which Mr Sang haswas believed to have exactly the same indirect shareholding interest (42%) as he has in the Company).
12. Further, it is averred that, on 17 March 2024, Beijing Kadapu passed shareholder resolutions to amend its articles to the effect that all shareholder resolutions need to be passed by all shareholders unanimously in writing as elaborated below. This step was taken to avoid any further disruptions to the business of Shiliu PRC of the type threatened by 14 February Meeting from happening again. It is averred that the amendments were as follows:
- (a) Article 12 of the articles of Beijing Kadapu specifies that "...A shareholders' meeting is valid only when all shareholders representing all the voting rights of the company are present at the meeting."
 - (b) Article 13 of the articles of Beijing Kadapu specifies that "...The shareholders' meeting shall resolve on the matters discussed, and the resolutions shall be passed by shareholders. The shareholders shall record minutes for the resolutions of matters discussed at the meeting and the shareholders present at the meeting shall sign on the minutes of meeting."
 - (c) As a matter of PRC law, the combined effect of Articles 12 and 13 is that any resolution made at the shareholders' meeting, including resolutions on all matters identified in Article 8 which can be dealt with at the shareholders' meeting, must be passed with

the unanimous written consent of all shareholders (i.e. by both Beijing Anatolia and BJ Gangren) representing all the voting rights of the Company. This is to give absolute certainty to Shiliu PRC that Mr Sang as a minority shareholder of Beijing Anatolia would not be able unilaterally to dictate the business of Beijing Kadapu which in turn controls the business of Shiliu PRC, to the exclusion of Mr Cui even in a scenario where he illegally obtains control of the board of Beijing Anatolia or passes board resolutions to exclude Mr Cui from the management.

- (d) At the same time, as a matter of PRC law, Mr Sang is entitled to participate in the corporate affairs of Beijing Anatolia directly as a supervisor and indirectly in that of Beijing Kadapu and Shiliu PRC through the corporate structure as explained in the preceding paragraph. Paragraphs 11 (b) to (d) above are repeated.
13. Further to paragraph 12, it is averred that in order effectively to reverse the steps that had unlawfully followed the 14 February Meeting and to prevent a minority shareholder (Mr Sang, through his BVI holding entities) from usurping control of the entire structure, Mr Cui and the Group commenced the following legal actions and have taken the following corporate steps:
- (a) Seeking a declaration (in FSD 105 of 2024 (JAJ)) that the board resolutions purportedly passed at the 14 February Meeting are null and void, invalid and/or otherwise of no effect and should be set aside.
- (b) Issuing a requisition to call the Company EGM by Wu Tong Shan Limited ("WTS Ltd"), a member holding 43.65% of the issued shares in the Company, to call an extraordinary general meeting to remove Mr Sang, Mr Lin, Mr Luo and Mr Kuang as directors of the Company, to appoint Ms Zhu as a director of the Company and to cause the Company to execute written resolutions in its capacity as the sole shareholder of each of the BVI Subsidiaries for the removal and appointment of their directors. The Company's EGM has been put on hold in response to and pending the inter partes hearing of the Petitioner's application for appointment of the provisional liquidators filed on 19 April 2024, in relation to which the parties agreed to fix a hearing on 5 June 2024 subject to this Court's approval. directors (the "**Proposed Resolutions**"). On 3 July 2024, the 3 July EGM was held pursuant to WTS Ltd's requisition notice, with all members attending by proxy either in person or via video link. Each of the Proposed Resolutions were duly passed at the 3 July EGM, except the resolution to remove Mr

Sang as a director of the Company as such a resolution was no longer proposed or pursued by WTS Ltd.

- (c) Seeking, inter alia, a declaration to invalidate the addition of Mr Lin as a director of the Hong Kong Subsidiaries in proceedings with cause number HCA 433 of 2024 in Hong Kong. The defendants in those proceedings, including Mr Sang and Mr Lin, applied for an extension of time for filing their defence to 24 May 2024 which was agreed and approved by the Hong Kong court. (the "Hong Kong Proceedings"). On 30 July 2024, the Hong Kong Court granted an order by consent to stay the Hong Kong Proceedings pending the outcome of the Petition.
- (d) Submitting an objection to the Beijing Tongzhou Market Regulatory Authority ("**Tongzhou MRA**"), the company registration authority of Beijing Taihang Shan, in relation to any requested change in registration for Beijing Taihang Shan.
14. Paragraphs 14 to 16 are admitted. Paragraph 13(b) above is repeated.
15. As to paragraph 17:
- (a) It is averred that Mr Sang was properly and validly removed from the office of director and Managing Director of Shiliu PRC in accordance with the prescribed procedures and the PRC laws.
- (b) On 8 September 2023, the Beijing Fengtai District Labour Dispute Arbitration Commission dismissed Mr Sang's claim for continued performance of the employment contract with Shiliu PRC.
- (c) On 11 September 2023, Mr Sang filed a claim with the Beijing Fengtai District People's Court seeking essentially the same relief including that Shiliu PRC should continue to perform his employment contract. Those proceedings are pending.
- (d) Save for the foregoing, paragraph 17 is admitted.
16. Paragraph 18 is admitted.
- D. Request to go separate ways**
17. As to paragraph 19:

- (a) It is averred that Mr Cui has always been the ultimate controller and final decision maker of the Group Business. It is denied, if the same is intended to be alleged, that Mr Sang had any entitlement for any views he might have had on the business of the Group to be accepted or implemented by Mr Cui.
 - (b) It is averred that the decision to attempt listing in Hong Kong was mainly motivated by the greater potential opportunities to raise money in the US bond market following the listing. It is denied, if the same is intended to be alleged, that the listing was intended to cure any problems with corporate governance caused by Mr Cui.
 - (c) It is further averred that the integrity and ability of Mr Sang to manage the business of the Group for Mr Cui was at best questionable after Mr Sang took the office of the general manager of Shiliu PRC in 2016. This culminated in the Dismissal on 21 June 2023.
 - (d) Subject to the foregoing, paragraph 19 is not admitted.
18. As to paragraph 20:
- (a) The first and second sentences are admitted.
 - (b) As to the third sentence, it is averred that Mr Sang's proposal to part ways was, in essence that Mr Cui and Mr Sang divide the assets of Shiliu PRC according to the ratio of 58% vs 42% immediately or one buy out the other's legal shareholdings completely, which was unreasonable and not feasible:-
 - (i) The Group has 22 ongoing real estate projects and significant loans borrowed from the PRC banks in respect of which both Mr Sang and Mr Cui had provided personal guarantees in the total amount of RMB 9,720,600,000 as of 31 December 2023. Any immediate split as proposed by Mr Sang would lead to the collapse of Shiliu PRC and the business, which would have a devastatingly adverse impact on its ability to complete the ongoing projects and to repay funds raised in the PRC bond markets and from the PRC banks.
 - (ii) In the circumstances, it is to be inferred that Mr Sang's proposal to part ways was not genuine but was made in order to retaliate and put pressure on Mr Cui.

(c) Subject to the foregoing, paragraph 20 is admitted.

E. Exclusion from management

19. As to paragraph 21:

(a) To the extent that the use of the word "*excluded*" is intended to be an allegation that Mr Sang had an entitlement to be "*included*", such allegation is denied.

(b) It is averred that the original Chinese text of the notice to all employees is that Mr Sang had "left the position" instead of "resigned" from all offices with the Group.

Subject to the foregoing, paragraph 21 is admitted.

20. It is averred that the Dismissal was in the best interests of Shiliu PRC and the Group. During the time when Mr Sang acted as the general manager and *de facto* general manager of Shiliu PRC, he had consistently disregarded prescribed procedures and had acted in his own interests rather than in the interests of Shiliu PRC, the Group, or the Company, as particularised below:

(a) Mr Sang appointed his relatives and acquaintances to senior and/or important positions within the Group and associated project companies in which Shiliu PRC holds a 100% beneficial interest, regardless of merit or whether such appointments or promotions were in the best interests of the business, and without consultation with Mr Cui. By way of a non-exhaustive example, it is averred that the following appointments were made by Mr Sang in his own personal interests and contrary to the best interests of the business:

(i) Senior management appointments to Shiliu PRC include: Yang Yufeng and Zhu Xiaosi both of whom are relatives to Mr Sang; and Li Guangtian and Ding Qingwei, both of whom are classmates and friends of Mr Sang.

(ii) Other nepotistic appointments of the legal representatives and/or supervisors and nominal shareholders (as indicated) to the associated project companies of Shiliu PRC as of 2023 include: Mr Zhu Fengjun who were appointed as legal representative of 68 and as supervisor of 10 associated project companies; Mr Yang You Ting was appointed as legal

representative of 10 and as supervisor of 35 associated project companies; Mr Zhang Xinwen held a substantial shareholding in 4 associated companies on trust for Shiliu PRC or Beijing Anatolia. All of the aforementioned individuals are relatives to Mr Sang.

(b) In or around 2016, Shiliu PRC launched an employee share subscription incentive scheme under which selected employees could subscribe for a share in two limited entities formed to hold the beneficial interest of the employees in Shiliu PRC (i.e. Ningbo Meishan Baoshui Gangqu Huangpu Xinchuang Investment Management Partnership (Limited Partnership) (宁波梅山保税港区黄浦新创投资管理合伙企业(有限合伙)) and Ningbo Meishan Baoshui Gangqu Westpoint Zhonghe Investment Management Partnership (Limited Partnership)) (宁波梅山保税港区西点众合投资管理合伙企业(有限合伙)).

(i) The intention in setting up these entities was to allow the employees to participate in the listing of the Company in the PRC stock exchange. However, to entice the senior management to join his faction against Mr Cui, Mr Sang unilaterally selected 62 favoured senior management and employees to participate in this scheme without consulting with Mr Cui or the board of Shiliu PRC. Three employees selected by Mr Sang (Mr Longcheng, Zhang Yansheng and Hu Xiaojun) to participate have subsequently been convicted of corruption in the PRC, were sentenced to prison terms, and were sacked by Shiliu PRC.

(ii) Out of the above-mentioned 62 employees, more than 20 employees were funded from company funds to enable them to subscribe for shares in one or both of the above-mentioned limited entities under the share incentive scheme. However, Mr Sang did not follow the proper procedure to arrange for the relevant loan agreements to be signed between Shiliu PRC and the relevant employees. Rather the relevant loan agreements were entered into between Mr Sang himself as the lender of record and the employees.

(c) Mr Sang's management style had directly and substantially impaired Shiliu PRC's internal management and cost controls. Mr Cui and the board of directors of Shiliu PRC were deliberately excluded from major project, compliance and management decisions.

This generated increased legal and business risk for Shiliu PRC and the Group. This risk ultimately led to losses for the Group in the case of Beihu and Shanghai Changning projects, in that Mr Sang was able to utilise his factions within the Group to strip out substantial assets to the detriment of Shiliu PRC (as particularised in paragraph 24 below).

- (d) Mr Sang failed to ensure the Group companies' compliance with applicable PRC laws, which led to significant fines having to be paid by the Group companies for non-payment of tax calculated at a daily rate of 0.05% following default. The delay in the payment of tax resulting in: (1) an increased tax liability of about RMB 322 million (USD 44.5 million), which Zhuhai Lizhi Wan Investment Development Limited Company was obliged to pay for the period from 1 November 2014 to 30 April 2023 and (2) Land VAT in the amount of RMB 108 million (USD 14.91 million), which Qingdao Lion City was obliged to pay.
- (e) Mr Sang borrowed large sums of money from Shiliu PRC for his personal use and has failed to make any repayments. The total amount "borrowed" by Mr Sang is approximately RMB 650 million (USD 89.6 million). It is averred that:
- (i) In September 2023, Shiliu PRC commenced legal proceedings in Beijing Fengtai District People's Court against Mr Sang for the repayment of part of the loans with principal in the amount of around RMB 367.6 million (USD 50.8 million), plus interest. A freezing order was obtained against Mr Sang in the PRC in those proceedings.
 - (ii) Shiliu PRC (and its predecessor) historically did not pay dividends and therefore the arrangement between Mr Sang and Mr Cui, was that money could be borrowed from Shiliu PRC (with reference to their respective shareholdings) but had to be repaid.
 - (iii) As at the date of this Defence, the principal amount borrowed by Mr Cui is only around RMB 300 million (USD 47.5 million). In contrast, Mr Sang borrowed RMB 650 million (USD 89.6 million), although the former's ultimate beneficial ownership in Shiliu PRC is substantially greater than Mr Sang's ~~(by 16%)~~.
 - (iv) The PRC proceedings were commenced against Mr Sang because the loans have fallen due but Mr Sang has failed to repay them.

- (v) As explained below, Mr Sang unilaterally informed the lending banks of Shiliu PRC that he was no longer providing any personal guarantees for Shiliu PRC's lending. In contrast, Mr Cui has continued to provide personal guarantees for the existing financing of Shiliu PRC and has also provided new personal guarantees to facilitate Shiliu PRC in obtaining further financing after Mr Sang's dismissal. Since Mr Sang is no longer supporting the business of Shiliu PRC, there is no reason for his personal loans not to be called in.
 - (vi) In the premises, it is denied, if the same is intended to be alleged that the legal proceedings against Mr Sang for the repayment of loans constituted undue oppression against Mr Sang, or were launched for Mr Cui's own personal reasons.
 - (f) Mr Sang failed to pursue business opportunities presented to the Group companies, including over 10 real estate projects in relation to which Shiliu PRC had already completed feasibility studies, but which Mr Sang failed to give the necessary approvals for. Three of those missed opportunities were thereafter successfully pursued by Shiliu PRC's competitors.
 - (g) During the time when Mr Sang acted as the general manager, the business of Shiliu PRC declined substantially. The total net profit (on a consolidated basis) of Shiliu PRC dropped from RMB 840 million (USD 116 million) (as of 31 December 2015) to RMB 48.8 million (USD 6.63 million) (as of 31 December 2022).
21. In view of the matters pleaded above, all of which amount to serious breaches of Mr Sang's duties as general manager and as director of Shiliu PRC, Mr Sang was removed from all management roles in the PRC companies on 21 June 2023. As pleaded above, this Dismissal has been unsuccessfully challenged by Mr Sang in PRC legal proceedings.
22. Paragraph 22 is admitted. However, it is averred that Mr Sang being blocked from entering the Group's headquarters in Beijing was entirely justified, for the reasons pleaded in this paragraph and in paragraphs 23-24 below. It is averred that:
- (a) As a result of the Dismissal, pursuant to Shiliu PRC's internal policy in respect of access to company premises, Mr Sang, as a former employee, no longer had the right to enter into the premises of Shiliu PRC without management approval.

- (b) Likewise, without management approval, Mr Sang, in his capacity as indirect shareholder, was not entitled to enter the premises of Shiliu PRC either. In order to prevent Mr Sang from committing further wrongs and disruption to the business of Shiliu PRC, Mr Sang was not given any consent to enter into the premises of Shiliu PRC.
- (c) In order to prevent Mr Sang and his associates from forcefully entering the Group's headquarters in Beijing, security personnel were employed by the Group.
23. Further, it is averred that, after the Dismissal, Mr Sang made several attempts to disrupt the operations of the business in the PRC as particularised below:
- (a) Mr Sang has orchestrated a number of riots in the Beijing headquarters of Shiliu PRC. It is averred that:
- (i) On 24 June 2023 at around 3pm, Mr Sang organised and personally led a group of people who sought to force their way into the headquarters of Shiliu PRC. Mr Sang and the said group were engaged in a fight with the security guards of Shiliu PRC, a number of whom were injured as a result. In the meantime, Mr Yang Yufeng, a member of the group led by Mr Sang, unlawfully took the lift in the same building and entered the offices located on the floor of the office of the chairman of Shiliu PRC, where he was apprehended while engaged in an attempt to steal the chops and certificates of Shiliu PRC and associated companies.
 - (ii) On 30 June 2023, Mr Sang again organised and led a group of people to block the access gate to the headquarters of Shiliu PRC, which caused serious disruption to its normal business.
 - (iii) On 6 July 2023, Mr Sang again organised and led a group of people to block the access gate to the headquarter of Shiliu PRC, which caused serious disruption to its normal business. Shiliu PRC filed a complaint with the local police who subsequently dispersed Mr Sang and his people.
 - (iv) On 7 July 2023, Mr Sang asked Mr Li Guangtian to lead a group of people to block the access gate to the headquarters of Shiliu PRC. He also arranged a notice signed by himself to be affixed to the access gate requesting all the

employees of Shiliu PRC to immediately stop working. Such actions again disrupted the normal business of Shiliu PRC which had no choice but to call the police to disperse the group of people blocking the access gate.

- (v) Similar incidents which were led and/or organised by Mr Sang also happened again on 24 February 2024, as well as on 7, 9 and 10 April 2024, in relation to which Shiliu PRC filed a complaint with the local police. Those riots have caused serious interruptions to the ordinary business in the PRC.
- (b) Mr Sang has spread false rumours to Shiliu PRC 's lending banks in the PRC including at least China Citic Bank, Guangfa bank and Shandong International Trust Co., Ltd. He has also unilaterally informed them of his intention to immediately terminate his personal guarantee previously provided for the benefit of Shiliu PRC to the lending banks. It is averred that these actions were taken by Mr Sang in order to disturb Shiliu PRC's financing and exert pressure on Mr Cui. The rumours, which are recorded in the letters to all of the above three banks, the veracity of which is denied, included, in particular:
- (i) The allegation that Mr Cui illegally seized the headquarters of Shiliu PRC, company chops and the control of Shiliu PRC, which caused the collapse of the management and corporate governance of the company, during the five month after 21 June 2023 (i.e. the date of dismissal) as specified particularly in the letter to Shandong International Trust Co., Ltd.
 - (ii) The allegation that there was great uncertainty as to Shiliu PRC's financial credibility and its ability to repay debts when they fall due.
- (c) The aforementioned rumours raised red flags with the lending banks, two of whom have raised questions with Shiliu PRC, and may activate clauses under the relevant financing agreements which empower the lending banks to terminate the loans and request immediate full or partial repayment from Shiliu PRC. Those rumours further had a negative impact on the lending banks' confidence in the financial credibility of Shiliu PRC.
- (d) Mr Sang has spread false accusations about Shiliu PRC and Mr Cui in public with a view to damaging the reputation of Shiliu PRC and Mr Cui and disrupting the operation

of Shiliu PRC. The false accusations include, without limitation, allegations by Mr Sang that:

- (i) Mr Sang was the founder of the Group;
- (ii) The Group has collapsed and is about to shut down;
- (iii) Mr Cui has transferred the Group assets unlawfully;
- (iv) Mr Cui has committed criminal offences.

24. Further to paragraph 22, it is averred that Mr Sang also attempted to seize and dissipate the assets of Shiliu PRC through Ningbo Meishan Free Trade Port Zone Miaoyou Investment Management Partnership (Limited Partnership) ("**Ningbo Miaoyou**"), Yangzhou Juding Business Information Consulting Co., Ltd. ("**Yangzhou Juding**"), Beijing Naxin Information Consulting Company Limited (formerly known as: Beijing Virtue and Talent Information Consulting Co., Ltd. ("**BJ Naxin**")), Beijing Weidu Science and Technology Company Limited (formerly known as: Beijing Weiye Changqing Technology Co., Ltd., ("**BJ Weidu**")), Beijing Xiangyu Technology Company Limited (formerly known as: Beijing Chun Kaixuan Technology Development Co., Ltd, ("**BJ Xiangyu**")) and Shanghai Chaowei Decoration Engineering Co., Ltd ("**Shanghai Chaowei**"), which he ultimately controlled, as further particularised below.

The Beihu Project

- (a) In 2017, Mr Sang established Ningbo Miaoyou and Yangzhou Juding, both of which were controlled by Mr Sang's relatives Mr Diao Renzhen, Mr Zhu Qingke, and Mr Kong Lingjun.
- (b) Between 2017 and 2018, Shiliu PRC transferred funds to an affiliate company, Beijing Anatolia, and instructed it to entrust Ningbo Miaoyou and Yangzhou Juding to set up BJ Naxi, BJ Weidu and BJ Xiangyu to establish special vehicle companies ("**Project Companies**") to purchase nearly 200 apartment units in zones 1 and 2, No 8 Kaibin Road, Fangshan District, Beijing ("**Beihu Apartments**"). Each Project Company was established to hold the legal title of a single Beihu Apartment and the sales of the Beihu Apartments therefore could be structured to be through the sales of the shares of such Project Companies.

- (c) On or around 19 July 2023, Mr Sang organised and led a group of persons to illegally occupy approximately 100 units of Beihu Apartments and their sales office, with a total value of more than RMB1 billion. The police subsequently dispersed Mr Sang and his group and Shiliu PRC was able to secure the sales office.
- (d) Sometime after August 2023, Mr Sang took a series of unlawful actions to successfully seize control of and dilute/strip Shiliu PRC's substantial equity interest in 98 Project Companies, which in total hold approximately 98 Beihu apartments (the "**98 Project Companies**"). It is averred that without notifying Shiliu PRC:
- (i) Mr Sang had arranged a change of the legal representative and registered address of 83 Project Companies, replaced their seals and licenses;
 - (ii) In addition, he utilised false claims to pledge the proprietary rights of 83 houses held by the 83 Project Companies to third parties (e.g. Ningbo Kangxin Technology Limited Co., (宁波康杏科技有限公司)) which were controlled by Mr Sang.
 - (iii) Mr Sang further caused Ningbo Miaoyou and Yangzhou Juding to carry out a capital increase respectively by issuing additional shares (representing 95% of the shareholding) to third parties (e.g. Yangzhou Changao Technology Limited Co., (扬州畅奥科技有限公司) controlled by Mr Sang.
 - (iv) Mr Sang further arranged Ningbo Miaoyou and Yangzhou Juding to transfer all of their shares held in 15 Project Companies to a third party controlled by Mr Sang.
- (e) On 7 August 2023, Shiliu PRC filed court proceedings in the PRC requesting remedial measures to be taken to correct the aforementioned wrongdoings. A freezing order was granted on 21 February 2024 over the remaining shareholdings (around 5%) held by Ningbo Miaoyou and Yangzhou Juding directly or indirectly in the 83 Project Companies and the bank account of Ningbo Miaoyou, Diao Renzhen and Yangzhou Juding in the amount of RMB 172 million (USD 23.75 million). As at the date of this Defence, the PRC court proceedings are still ongoing.

The Shanghai Changning Project

- (f) Together with certain others who worked at Shiliu PRC, in 2014, Mr Sang established Shanghai Chaowei, in which Mr Sang Qiping, Mr Sang's father, has a 99%

shareholding, and Mr Yang Youting, the father of Yang Yufeng (Mr Sang's cousin nephew) holds 1% of its shares.

- (g) During April to November 2014 Beijing Anatolia transferred funds to Shanghai Chaowei to purchase apartments in Shanghai Changning district on behalf of Beijing Anatolia (the "**Changning Properties**"). Since the Dismissal, to the detriment of Beijing Anatolia and Shiliu PRC, Shanghai Chaowei has attempted to seize ownership of the Changning Properties and disrupted the performance of the valid leasing contracts signed by Shanghai Chaowei on behalf of Beijing Antolia.
- (h) Beijing Anatolia commenced proceedings in August 2023 in the courts of Shanghai and Yangzhou respectively, and has obtained a freezing order in respect of the Changning Properties from the Shanghai court on 8 September 2023.

25. As to paragraph 23:

- (a) The first sentence is denied, save that it is admitted that between 28 June 2023 and 10 July 2023, Mr Sang was removed as the legal representative of the 11 entities. It is averred that as a result of Mr Sang's own wrongdoing and pending the rectification of the issues arising therefrom, no steps could be taken to remove him as the legal representative of Suzhou Baihe Bay Property Development Company ("**Suzhou Baihe Bay**") and Qiaodao Lion City.
- (b) In respect of Suzhou Baihe Bay, on 1 July 2023, Mr Sang, acting in his capacity as its legal representative, reported the loss of the business licence of Suzhou Baihe Bay to the relevant Market Regulatory Authority. The said report had invalidated the business licence of Suzhou Baihe Bay and the normal industrial and commercial change procedures cannot currently be invoked to remove Mr Sang from his position as legal representative. It is, however, not clear whether Mr Sang has since applied for a new business license to be issued.
- (c) In respect of Qiaodao Lion City, the relevant debts were the mandatory employee medical and social insurance contributions payable by the employer to the relevant official authority. That liability arose from the non-compliance with local PRC labour protection and other laws when Mr Sang was the legal representative. Mr Sang therefore is required to remain in office to remedy the situation. Any allegation of oppression or malice on Mr Cui's part in connection with these events is denied.

- (d) The second sentence is admitted.
- (e) The third sentence is denied. It is averred that the expenditure limitation orders imposed on Mr Sang in the PRC were based on him being liable as the legal representative for the non-payment of relevant mandatory contributions by Qiaodao Lion City in breach of PRC law, as elaborated in sub-paragraph (b) of this paragraph 25. Such limitation orders against Mr Sang would not be lifted by simply removing Sang as legal representative.
26. As to paragraph 24, the allegation that "*most of the then existing senior management team of the Group*" was terminated is embarrassing for want of particulars. It is averred that the employment of the following personnel was terminated and/or they resigned in accordance with the relevant PRC rules and regulations on personnel management:
- (a) Mr Lin was terminated by Shiliu PRC from the position of Chairman of the Supervision Committee and general manager of the Risk Control Centre of Shiliu PRC on the grounds of, *inter alia*, violations of labour contracts and company regulations. Mr Lin is an associate of Mr Sang and acquiesced in Mr Sang's wrongdoing.
- (b) Mr Li Guangtian (Shanghai-Zhejiang Regional President), Mr Ding Qingwei (Jiangsu Regional President) and Mr Yang Yufeng (Assistant to President) were terminated in accordance with the relevant rules and regulations on personnel management.
- (c) Mr Luo and Mr Kuang voluntarily resigned from their positions as CEO and the CFO of Shiliu PRC respectively.
- (d) A number of employees were also laid-off as part of the Group's measure to cut costs and improve the financial conditions.
- (e) Subject to the foregoing, paragraph 24 is denied.

F. Wrongdoing of Mr Cui

27. As to paragraph 25:
- (a) It is admitted that complaints were filed with the Beijing Police in connection with the alleged embezzlement by Mr Cui. It is averred that these complaints have no merit and

were filed in retaliation against Mr Cui for, *inter alia*, Mr Sang's Dismissal, the termination of Mr Lin as the Chairman of the Supervision Committee and general manager of the Risk Control Centre of Shiliu PRC, and the withholding of the funds in the share incentive plan from Mr Lin pending the completion of exit audit by Shiliu PRC.

- (b) It is averred that, subject to the sub-paragraph (c) immediately below, the complaints have not been accepted by the Beijing Police or any other authority in the PRC or elsewhere. No subsequent formal criminal investigation has been pursued against Mr Cui. Further, neither Mr Sang, nor the companies he controls, nor any of his allies or associates have ever commenced any court proceedings in either the PRC or elsewhere against Mr Cui or his associates or companies in connection with any alleged embezzlement.
- (c) Mr Lin's complaint in respect of the non-payment of his principal plus interest in the above-said share incentive scheme was accepted by the local police and a notice of investigation was issued to Mr Lin. In this regard, on 14 March 2024, Shiliu PRC lodged a complaint with the Beijing Fengtai District People's Procuratorate requesting the setting aside of such notice of investigation as it was wrongfully sought by and issued to Mr Lin. That complaint has been formally accepted by the said Procuratorate.
- (d) Subject to the foregoing, paragraph 25 is denied.
28. Paragraph 25(a) is further specifically denied. It is averred that Mr Cui and Mr Sang agreed that each could, with the other's consent, obtain personal loans (which were liable to be repaid) from Shiliu PRC, given that no distributions of dividends had ever been made to them as shareholders since Shiliu PRC's incorporation (nor had they been made by its predecessor). Prior to Mr Sang's Dismissal, all of Mr Cui's personal loans were approved by Mr Sang. As of today, approximately RMB 300 million has been borrowed by Mr Cui; all of which has been properly authorised.
29. Paragraph 25(b) is embarrassing for lack of particularity. It is denied that Mr Cui coerced any accounting staff to confess any wrongdoing. It is averred that Mr Cui was not the subject of any criminal or other investigation or any civil complaint in relation to any alleged coercion against any existing or former employee of Shiliu PRC.

30. Paragraph 25(c) is denied. It is averred as follows:

- (a) It is denied that "*all accounting records of Shiliu PRC*" were removed from the offices of Shiliu PRC on 30 September 2023. It is averred that the accounting staff were only asked to hand over all the relevant accounting records in their custody in relation to the project companies controlled by Mr Sang. The request was made based on the reasonable suspicion that the individuals with control of the records had on Mr Sang's instructions attempted to destroy, fabricate or tamper with them.
- (b) After the previous accounting staff handed over the relevant accounting records, it transpired that there were missing financial records for an important period (i.e. from 1 January to August 2016 and in part for September 2016); being the period around the corporate restructuring in connection with the expected PRC listing. It is to be inferred that those records were destroyed on Mr Sang's instructions as they would have evidenced the personal loans Mr. Sang obtained from Shiliu PRC, which Shiliu PRC was entitled to request repayment of.
- (c) All the relevant accounting records have since then been retained by the new accounting staff at Shiliu PRC. It is denied that any of such records have been or will be destroyed and/or tampered with.

31. As to paragraph 25(d):

- (a) It is admitted that Beijing Yixing Real Estate Co., Ltd. ("**Beijing Yixing**") is a wholly owned subsidiary of the Group. It is averred that Beijing Yatong was the direct and sole shareholder of Beijing Yixing prior to the allotment of shares to Wen'an Chiyuan Construction Engineering Co., Ltd ("**Wen'an**") as elaborated in the remaining subparagraphs of this paragraph 32.
- (b) It is denied that Wen'an was effectively controlled by Mr Cui. It is averred that Wen'an is indirectly and ultimately held by two nominee individual shareholders named Ms Gao Xinglian ("**Ms Gao**") who holds 99% shares of the company, and Ms Wang Ling ("**Ms Wang**") who holds the remaining 1% of the shares. Ms Gao and Ms Wang are relatives

of Shiliu PRC employees who hold such shareholdings in Wen'an for the benefit and interest of Shiliu PRC. They are not related to Mr Cui.

- (c) It is averred that the allocation of shares by Beijing Yixing to Wen'an was made pursuant to a cooperation agreement dated 12 December 2020 ("**Cooperation Agreement**") entered into between Beijing Yatong and Wen'an, under which Wen'an agreed to subscribe for 30% of the share capital issued by Beijing Yixing.
 - (d) Mr Sang was fully informed of, and consented to, the Cooperation Agreement, the purpose of which was to raise capital for Beijing Yixing to develop its real estate project in the north district of Daxing Kaifa District in Beijing. Mr Sang also put his signature on the internal approval form of the Cooperation Agreement on 13 May 2021.
 - (e) Given that all the shares in Beijing Yixing were pledged to China Huarong Asset Management Anhui Branch on 6 August 2019, the Cooperation Agreement provided that the allotment of shares should take place after the pledge was released. On 11 October 2023, Beijing Yixing had procured the release of the pledge. On 20 October 2023, Beijing Yixing allotted shares to Wen'an which in turn paid the RMB300 million subscription price in accordance with the Cooperation Agreement.
 - (f) Subject to the foregoing, paragraph 25(d) is denied.
32. Paragraph 25(e) is denied. It is averred as follows:
- (a) Between 6 December 2019 and June 2023, a total sum of RMB 85.5 million (USD 11.8 million) together with interest was distributed to 38 employee participants in the share incentive plan.
 - (b) By August 2023, a total sum of RMB 86.9 million (USD 12.01 million) together with interest were distributed to another 16 employee participants.
 - (c) A balance of RMB 44.4 million (USD 6.1 million) has yet to be distributed to the remaining 8 employee participants. Among them, 3 individuals have been convicted of corruption and are serving a prison sentence and the remaining 5 individuals are

undergoing exit audits by Shiliu PRC, being suspected of wrongdoing including corruption and causing loss to Shiliu PRC by their actions. Shiliu PRC is entitled to withhold the money payable to these individuals, pending the completion of the said exit audits.

(d) It is denied that Mr Cui embezzled any of the funds in the share incentive plan. In particular Gangren Boqi Beijing Investment Co. Ltd was not controlled by Mr Cui personally but indirectly controlled by Shiliu PRC, as pleaded above.

33. Subject to the foregoing, paragraph 25 is denied.

G. Further discussions

34. As to paragraph 26, it is admitted that Mr Cui and Mr Sang met five times between July and October 2023. The remainder of the paragraph is denied. It is averred that, after the Dismissal, Mr Cui and Mr Sang had a meeting where Mr Sang proposed splitting the Group. However, for the reasons pleaded in paragraph 18 above, it was not feasible to split the Group without severely damaging the ongoing real estate projects and the financing of the Group.

H. Dissipation Event

35. Save that it is admitted that Mr Cui is the sole shareholder of Beijing Gangren, paragraph 27 is denied. It is averred that:

(a) Mr Cui has always, in his own name or through his nominee (Ms Xu Lvyan), held a small percentage of shares in Shiliu PRC from its incorporation: at the beginning it was 1%, then reduced to 0.1% and later further diluted to 0.07769%.

(b) In December 2020, as part of the corporate restructuring to facilitate the expected Hong Kong listing, Mr Cui transferred all the shares he held directly in Shiliu PRC (0.07769%) to Beijing Kadapu. However, that transfer was mistakenly at an undervalue due to calculation mistakes made by the then financial accounting staff: the transfer was based on the net asset of Shiliu PRC on a standalone basis, RMB4.67 billion (USD 0.7

billion), instead of the net assets of Shiliu PRC on a consolidated basis, RMB16.42 billion (USD 2.3 billion). In consequence, the consideration of RMB 3.7 million (USD 0.5 million) paid for the transfer back in December 2020 only reflected a 0.022% shareholding, not the whole of Mr Cui's shareholding.

(c) Therefore, on 17 March 2024, 0.01% shares of Beijing Kadapu were issued to Beijing Gangren, a subsidiary wholly owned by Mr Cui, to remedy the undervalue transfer pleaded. It is denied that the purpose (or effect) of the share issuance was to dilute Mr Sang's ultimate shareholding in the Group.

(d) The share issue of 17 March 2024 is currently the subject of legal proceedings in the PRC.

36. As to paragraph 28:

(a) It is admitted that Beijing Minjiang transferred its 100% shareholding in Shiliu PRC to an associated company of the Group, Beijing Kadapu, a wholly owned subsidiary of Beijing Anatolia which, in Mr Cui's genuine belief at the date of such transfer, in turn iswas held by Mr Sang and Mr Cui with exactly the same shareholdings as they hold in the Company (i.e. 42% vs 58%). Paragraph 11(a) above is repeated. It is averred that such transfer took place on 6 March 2024 as an urgent counter-measure intended to defend against a coup orchestrated by Mr Sang to take control of the business and more importantly, to protect the assets and interests of the Group Business (including Beijing Beihu and Changning Properties, the total value of which is approximately RMB 2 billion) from dissipation or interference by Mr Sang. Subject to the foregoing, the first sentence is denied. Paragraph 11 above is repeated.

(b) The second sentence is denied. After the issue of 0.01% shares in Beijing Kadapu on 17 March 2024, subject to paragraph 11(a) above, which is repeated, Mr Cui and Mr Sang hold 99.99% shares at a ratio of 58:42 while Beijing Gangren holds 0.01% shares in Beijing Kadapu.

(c) The third sentence is denied. It is averred that the transfer of Shiliu PRC into the Beijing Kadapu structure was duly authorised and approved in accordance with PRC law. It did not require the authorisation or approval at the Company's level.

I. Actions taken by Mr Sang to take away control of the Group from Mr Cui

37. As to paragraph 29:

(a) It is denied that the Petitioner has lost nearly all visibility over the operation of the Group Business. It is averred that Mr Sang, as a member of the supervision committee (a legal body established and regulated by the PRC Company Law and the articles of Beijing Anatolia), does have supervising power over the business of Beijing Anatolia, including but not limited to the right to:

(i) inspect the company finances;

(ii) supervise the performance of duties by directors and senior executives and propose to remove a director or senior executive who violates the provision of the laws and administrative regulations and the articles of association of the company or the resolutions of the board of shareholders;

(iii) require a director or senior executive who acts against the interests of the company to make corrections;

(iv) propose to convene ad hoc shareholders' meetings, convene and chair a shareholders' meeting when the board of directors fails to convene one and chair a shareholders' meeting in accordance with the provisions of the PRC Company Law;

(v) make proposals at shareholders' meetings;

(vi) file a lawsuit against a director or senior executive in accordance with the provisions of Article 151 of the PRC Company Law.

(b) Furthermore, since Shiliu PRC has issued corporate bonds to the public which have been listed in the Shenzhen Stock Exchange, PRC, has an ongoing disclosure

obligation owed to the public. This gives the public, including Mr Sang and the Petitioner, visibility of the running and financial situation of Shiliu PRC.

(c) It is averred that the removal of Mr Sang from the management and operation of the Group Business was done for a proper purpose in view of Mr Sang's misconduct and mismanagement, as particularised above, and was in the best interests of the Group.

(d) Subject to the foregoing, paragraph 29 is not admitted.

38. As to paragraph 30:

(a) It is denied, in so far as it is alleged that the steps taken to exclude Mr Cui from the board of the Group's subsidiaries in BVI, Hong Kong and the PRC were "*with the aim of protecting and preserving the Group Business from further wrongdoing and harm*". It is averred that the 14 February Meeting and the resolutions proposed at it were an attempt by Mr Sang (with the assistance of Mr Lin) to usurp the board of the Company (and contrary to the wishes and interests of the majority shareholders) with a view to seizing management control of the Company's BVI and Hong Kong subsidiaries, ultimately to gain control of the business in the PRC.

(b) Without prejudice to the position of the Respondents in FSD 105 of 2024 (JAJ), it is averred that the 14 February Meeting was intended to be an ambush against Mr Cui and Mr Cai. It was called and held in a manner completely inconsistent with the usual conduct of board meetings of the Group and, hence, was convened without giving proper and sufficient notice to Mr Cui and Mr Cai. The 14 February Meeting only came to the notice of Mr Cui subsequently when it was discovered that Mr Lin had been appointed to the board of the Hong Kong Subsidiaries.

(c) It is averred that the ultimate objectives of Mr Sang in taking all these unilateral and unlawful actions include the following:

(i) To retaliate against Mr Cui for his dismissal from Shiliu PRC.

(ii) To overcome the fact that Mr Sang had, at least to some extent, been thwarted in his attempt to dissipate the Beihu Apartments and Changning Properties by proceedings taken by the Group in the PRC. If the related PRC proceedings

succeed, it will enable Shiliu PRC to recover the significant assets that Mr Sang, Mr Lin and Mr Sang's other associates have already illegally dissipated and/or to pursue damages claims against them. Mr Sang and his associates might also face criminal investigation for potential charges of fraud and embezzlement. Mr Sang has accordingly sought to remove Mr Cui completely from the management of Shiliu PRC so as to be in a position to terminate or improperly interfere with the legal processes which Shiliu PRC has commenced against him in the PRC.

(iii) To exert effective pressure on Mr Cui to compromise with Mr Sang in circumstances where Mr Sang's complaints to the PRC police failed.

(d) Subject to the foregoing, paragraph 30 is not admitted. It is averred that legal proceedings have been commenced to challenge the purported actions taken by or on Mr Sang's instructions in the Cayman Islands, Hong Kong and the PRC.

J. Hong Kong Proceedings

39. Paragraph 31 is admitted. The Hong Kong Proceedings ~~are still ongoing with the Defence due to be filed by Mr Sang and Mr Lin on 24 May 2024~~ were stayed by the order of the Hong Kong Court pending the outcome of the Petition. Paragraph 13(c) above is repeated.

40. Paragraph 32 is admitted. The Hong Kong Court has rejected the injunction application on the grounds that such application should not be made on ex-parte basis and that the plaintiff's solicitors were not duly authorised to act for the Hong Kong Subsidiaries.

41. To preserve the status quo, on 6 March 2024, Mr Cui has also, through his Hong Kong solicitors, Jingtian & Gongcheng LLP, filed a police report in respect of the purported appointments.

K. Cayman Requisition

42. As to paragraph 33, it is averred as follows:

- (a) It is averred that the purpose of the Company 3 July EGM was and is only to restore a degree of stability to the Group and to return it to the position it was in before Mr Sang's attempted coup management of the Group.
- (b) On 14 April 2024, with a view to avoiding the need to trouble the Court with a contested hearing, Wu Tong Shan Limited WTS Ltd, through its Cayman Islands attorneys, Carey Olsen, offered not to pursue a resolution at the Company EGM to remove Mr Sang as a director of the Company pending the determination of the Petition, which is a central complaint that Mr Sang has made in these proceedings.
- (c) However, this offer was rejected by the Petitioner, which instead filed an interlocutory application for the appointment of provisional liquidators on 19 April 2024 ("**PL Application**"). The PL Application was later withdrawn by consent and by order of this Court dated 20 June 2024.
- (d) As of the date hereof Subsequently, on 3 July 2024, the Company EGM has not been convened by the Company due to undertakings given by the Respondents in response to the PL Application convened and validly held the 3 July EGM. The Paragraph 13(b) above is repeated. It is further averred that:
- (i) Following the 3 July EGM, Mr Cui was reappointed to the board of each of the BVI subsidiaries with Ms Zhu appointed as a new director of such companies. Mr Sang remains a director of each of the Company and the BVI and Hong Kong subsidiaries.
 - (ii) As at the date of this Amended Defence: (A) the appointment of Ms Zhu as a director has not been recorded on the register of directors of the Hong Kong subsidiaries; (B) the Hong Kong Company Registrar has suspended all filings relating to the change of directors of the Hong Kong subsidiaries, it is understood pending the resolution of the Hong Kong Proceedings; and (C) searches of the directors' registers for each of the Hong Kong subsidiaries accordingly presently list the directors of the Hong Kong subsidiaries as Mr Cui, Mr Sang and Mr Lin.

43. Subject to the foregoing, paragraph 33 is admitted.

L. Other acts of oppression

44. As to paragraph 34(a), save that it is denied that any of the actions taken were taken to cause nuisance and distress to Mr Sang, it is averred as follows:

(a) The first and second sentences are admitted save that the legal proceedings by Shiliu PRC against Mr Sang for repayment of “personal loans” were commenced on 7 September 2023 instead of 8 September 2023. A freezing order was obtained against Mr Sang in the PRC in these proceedings.

(b) The third and fourth sentences are denied. It is averred that:

(i) Shiliu PRC (and its predecessor) historically did not pay dividends and therefore the arrangement between Mr Sang and Mr Cui was that money could be borrowed from Shiliu PRC (with reference to their respective shareholdings) but had to be repaid to Shiliu PRC.

(ii) Mr Cui had previously approved Mr Sang’s “personal loans” of around RMB 650 million (USD 89.6 million) based on an understanding that that he would provide personal guarantees for Shiliu PRC’s financing as necessary, and in any case he would repay the loans to Shiliu PRC.

(iii) However, as particularised above, Mr Sang unilaterally informed the lending banks of Shiliu PRC that he was no longer providing any personal guarantees for Shiliu PRC’s lending. In contrast, Mr Cui has continued to provide personal guarantees for the existing financing of Shiliu PRC and has also provided new personal guarantees to facilitate Shiliu PRC to obtain further financing after the Dismissal.

(iv) It is pleaded further that the “personal loans” which Sang borrowed from Shiliu PRC are governed by PRC law. As a matter of PRC law, Shiliu PRC is entitled to call in the personal loans in circumstances where there was no agreement

between Mr Sang and Shiliu PRC as to the date on which such loans should be repaid and which were accordingly repayable on demand.

(v) The proceedings were therefore commenced against Mr Sang and served as a demand for the repayment of part of the loans that have fallen due. Shiliu PRC has claimed in these proceedings the repayment of the principal sum in the amount of RMB 367.6 million (USD 50.8 million) out of the RMB 650 million (USD 89.6 million) borrowed by Mr Sang as recorded in Shiliu PRC's internal financial statements. Shiliu PRC has yet to collate sufficient evidence to support a debt claim against Mr Sang in relation to the remaining RMB 282.4 million (USD 38.94 million). The difficulties in collating that evidence, for example the bank payment receipt, and the signed approval form for the loans, etc., to some extent, was caused by the missing financial records which may have already been destroyed by the ex-financial staff at Mr Sang's instructions as particularised in the above paragraph 30(a).

(vi) It is denied in so far as it is intended to allege that the legal proceedings against Mr Sang were procured by Mr Cui to "*cause nuisance and distress to Mr Sang*".

(c) The fifth sentence is denied. The personal loans granted to Mr Cui amount to approximately RMB 300 million, which is less than half of Mr Sang's total "borrowings" despite Mr Cui holding 16% more shareholdings a greater beneficial interest in Shiliu PRC than Mr Sang.

45. As to paragraph 34(b):

(a) It is denied, in so far as it is intended to be alleged, that the matters described were procured by Mr Cui. It is averred that the two debts were the mandatory employee medical and social insurance contributions payable by their employer to the relevant official authority. Such liability arose from the non-compliance with the local PRC labour protection rules and other laws and was incurred during Mr Sang's time as the legal representative of Qingdao Lion City. Mr Sang therefore was the responsible officer and accordingly liable to accept any adverse legal consequence caused by his own oversight. Any alleged oppression or malice on the part of Mr Cui is denied.

(b) Subject to the foregoing, paragraph 34(b) is not admitted.

46. Subject to the foregoing, paragraph 34 is denied.

M. Grounds for the Petition

47. As to paragraph 35, it is denied that there is any basis for the Company to be wound up on the just and equitable ground.

48. As to paragraph 36:

(a) It is averred that the Company was originally established as a corporate vehicle for listing on the Hong Kong Stock Exchange. It was set up purely on commercial terms. There is an established procedure for corporate management and governance within the Group. There has never been any agreement or understanding that Mr Sang had any inalienable entitlement to participate in the management or conduct of the Company's business at any time. It is denied that the Company is or was established and operated as or akin to a quasi-partnership between Mr Sang and Mr Cui.

(b) It is averred that any breakdown in trust and confidence (which is not admitted) was due to Mr Sang's own misconduct. Mr Sang was solely responsible for the events that are complained of in the Petition. The Petitioner has come to the Court with '*unclean hands*' and is not entitled to the equitable relief sought in connection with the allegation that there is a quasi-partnership.

(c) Subject to the foregoing, paragraph 36 is denied.

49. As to paragraph 37:

(a) It is denied that Mr Sang and Mr Cui agreed to the joint operation of the Group and the Group Business at any time. Apart from Mr Cui and Mr Sang, there are other members of the senior management team appointed to the Board of each of the Company, the BVI Subsidiaries, the Hong Kong Subsidiaries and Shiliu PRC. In order to oversee the operation of Shiliu PRC, Mr Cui has occupied the key roles including the Chief

Executive Officer, general manager and the legal representative of Beijing Minjiang, the PRC subsidiary which wholly owns Shiliu PRC. In contrast, Mr Sang has never acted as a director of Beijing Taihang Shan and Beijing Minjiang. Mr Cui has always been the ultimate controller and decision-maker of the Company and the Group. Mr Cui's business relationship with Mr Sang began as that of employer and employee, with Mr Sang applying for a job in Mr Cui's established business. Notwithstanding the shareholder interest in the Company that Mr Cui has gifted to Mr Sang since then, the fundamental nature of the relationship never changed to become that of partners or equals. Mr Cui always was and remains a superior of Mr Sang within the business.

(b) Regarding the history and the operation of Shiliu PRC and the Company, paragraph 8 above is repeated herein. It is further averred that quasi-partnership could not arise in light of the following events:

- (i) In 2015, the relationship between Mr Cui and Mr Sang was formalized by setting up a board of directors and a supervisory board mechanism. Apart from Mr Sang, four other individuals were elected to the board of directors. Mr Sang was not appointed to the supervisory board.
- (ii) In 2016, Shiliu PRC introduced a share incentive scheme for its senior employees under which 1.34% shareholding was issued to Ningbo Meishan Bonded Port Area Xidan Zhonghe Investment Management Partnership (Limited Partnership) and 1.54% shareholding was issued to Ningbo Meishan Bonded Port Area Huangpu Xinchuang Investment Management Partnership (Limited Partnership) respectively, which hold the shares on trust for 62 employee participants. Shiliu PRC was therefore not an association formed on the basis of a personal relationship.
- (iii) From 2020 to 2021, Shiliu PRC was restructured to be held through various onshore and offshore structures in preparation for the proposed listing on Hong Kong Stock Exchange. Through the restructuring process, the parties had properly sought legal advice and formalised their working relationship through these corporate bodies.

(iv) The superimposition of the Company as the holding company over Shiliu PRC and the other Group companies operating in the PRC had the sole purpose of facilitating a stock exchange listing. Until the 14 February Meeting, the Company did not hold any board meetings and did not conduct any substantive business. The Company was and is nothing more than a listing vehicle and the fact of Mr Cui's and Mr Sang's indirect shareholding in the Company adds nothing to the nature of the business relationship between them. The said business relationship arises solely or substantively out of Mr Cui's and Mr Sang's interests and dealings in Shiliu PRC and other PRC-based Group companies and is governed by PRC law. It is denied that that relationship is capable of being properly characterised as a quasi-partnership.

(c) The third sentence is admitted, save that it is averred that Mr Sang has never been appointed as a director or supervisor in Beijing Taihang Shan and Beijing Minjiang. Furthermore, Mr Sang's appointments within the Group were made at the discretion of Mr Cui and were based on Mr Sang's previous performance, qualities, attributes and the operational needs of the Group.

(d) Subject to the foregoing, paragraph 37 is denied.

50. As to paragraph 38:

(a) The first sentence is admitted.

(b) Save that the BVI Subsidiaries and Hong Kong Subsidiaries were incorporated in about March 2021 as part of the proposed listing process, the second sentence is denied. It is specifically denied that there was any agreed joint operation and management of the Group. Paragraph 48 above is repeated. The board representation on each of the subsidiary companies is always subject to Mr Cui's final approval. The board representation of the Company and Shiliu PRC, for example, consists of individuals other than Mr Cui and Mr Sang.

(c) The third sentence is admitted.

51. As to paragraph 39:
- (a) The first sentence is admitted.
 - (b) The second sentence is denied. Paragraph 18 above is repeated in so far as Mr Sang's response is concerned.
 - (c) The third sentence is not admitted. Mr Cui and Sang have been in disagreement since 2018 as described in above paragraph 9(q) and 20. Mr Cui did not immediately confront Mr Sang given that the business had been hit by the global economic downturn and a public confrontation with Mr Sang would have adversely affected the business of Shiliu PRC including its ability to borrow. Mr Cui also hoped back then that Mr Sang could correct his wrongdoings and act in the best interests of Shiliu PRC.
52. As to paragraph 40:
- (a) The first sentence is admitted.
 - (b) The second sentence is admitted save that Mr Sang's corporate email account was closed on 25 June 2023.
 - (c) The third sentence is not admitted. Paragraph 26 above is repeated.
 - (d) The fourth sentence is not admitted, save that it is admitted that Mr Sang has not been able to participate in the management of the Group since the Dismissal. Paragraph 37 above is repeated in so far as the visibility over the Group Business is concerned.
53. Paragraph 41 is denied. It is averred that the Dismissal was made with cause and in accordance with the PRC labour laws. Paragraph 20 above is repeated.
54. As to paragraph 42:
- (a) The first sentence is denied in so far as it alleges any misfeasance committed by Mr Cui. Subject to the foregoing, the first sentence is not admitted.

(b) The second sentence is embarrassing for want of particularity. If it is alleged that reports were made with the Beijing Police against Mr Cui for the alleged embezzlement and wrongdoings against Mr Cui in August and October 2023, it is averred that such police complaints were made on an entirely false basis. As at the date hereof, neither Beijing Police nor any other authority has issued any document which states that Mr Cui is a criminal suspect in any of their criminal investigations. Mr Sang or Mr Lin has never commenced any legal proceedings against Mr Cui or his associates or companies for the alleged embezzlement or wrongdoings either.

55. As to paragraph 43:

(a) The allegation that “*Mr Sang has made does it attempts to seek a resolution with Mr Cui*” is not understood and not admitted. It is not admitted, if it is alleged, that Mr Sang has made a genuine attempt to seek a resolution with Mr Cui. It is averred that Mr Sang has attempted to exert pressure on Mr Cui through various measures including unlawfully attempting to take control of the Company and the Group, commencing baseless legal proceedings and making unfounded complaints to the police.

(b) It is admitted that the alleged “attempts” have not led to a resolution.

56. Paragraph 44 is denied. Paragraph 11 above is repeated.

57. Paragraph 45 is admitted. Paragraph 42 above is repeated.

N. Winding up is prejudicial to third parties

58. Paragraph 46 is admitted. It is averred that as of 31 December 2023, Shiliu PRC had **total net** assets of RMB5,231,518,809. The Company and its subsidiary holding companies have no separate financial statements since they have no actual operations or business and were created to hold Shiliu PRC so as to facilitate the expected listing on the Hong Kong Stock Exchange.

59. Shiliu PRC currently runs a very successful business with over 3,000 employees. It has 22 ongoing real estate projects with a construction size of 1.88 million square meters in the PRC. In addition, Shiliu PRC is obliged by the end of 2024 to complete 13 real estate projects and hand over 5,215 units of properties to the public purchasers, with a size of 570,000 square meters. Winding up the Company would disrupt a solvent and successful Group which would cause substantial and wide-ranging prejudice to the progress of these real estate projects as well as the interests of the third parties such as the Group's employees, the contractors, the lenders, the home buyers and the bondholders of Shiliu PRC.

O. Ulterior motive of the Petitioner

60. It is averred that the Petition was not presented *bona fide* but in order to achieve the following collateral purposes and not genuinely to bring about the winding up of the Company.

(a) In order to force Shiliu PRC and the Group companies to discontinue, withdraw and/or otherwise interfere with the extant proceedings already commenced by Shiliu PRC and the Group companies against Mr Sang and his confidants in the PRC and Hong Kong, including without limitation the proceedings to recover Beijing Beihu and Changning Properties.

(b) Using the winding up process merely because Mr Sang has decided that it is time to withdraw from the Group.

61. Paragraph 47 is noted. It is denied that any of the grounds relied on by the Petitioner are made out or justify the winding up of the Company.

P. Nomination of Joint Liquidators

62. Paragraph 48 is noted.

Q. Conclusion

63. In all the premises, it is denied that the Petitioner is entitled to the relief sought or to any relief.

Dated this 23rd day of May 2024

Re-dated this [DATE]

Carey Olsen

Attorneys for the Respondents

DRAFT

THIS ORDER was filed by Carey Olsen, Attorneys-at-Law for the Respondents, whose address for service is Level 1, Willow House, Cricket Square, Grand Cayman, Cayman Islands, KY1-1002.