

## CONNECTED TRANSACTIONS

### OVERVIEW

Following the completion of the Global Offering, we will continue to have certain transactions that constitute continuing connected transactions under the Listing Rules. We set out below a summary of these continuing connected transactions.

### TENANCY AGREEMENTS CONSTITUTING EXEMPTED CONTINUING CONNECTED TRANSACTIONS

#### Background

Mr. Wang Xiaosong (“**Mr. Wang**”) is the son of Chairman Wang. Pursuant to the Listing Rules, Mr. Wang is an associate of Chairman Wang and hence a connected person of our Company.

#### (1) Tenancy Agreement between Mr. Wang and Future Land Holdings

Future Land Holdings entered into a tenancy agreement (the “**Future Land Holdings Tenancy Agreement**”) with Mr. Wang on April 20, 2011, pursuant to which Mr. Wang leased certain office premises (the “**Changwubei Road Premises**”) located at 22 Changwubei Road, Hutang Town, Wujin District, Changzhou, Jiangsu, PRC, of a GFA of 200 sq.m., to Future Land Holdings for nil consideration. The term of the Future Land Holdings Tenancy Agreement is for a period of 20 years commencing from April 20, 2011 and ending on March 19, 2031.

During the Track Record Period, we did not pay any rental to Mr. Wang for the use of such premises. We consider that it is in our interest to continue leasing such office premises from Mr. Wang.

#### (2) Tenancy Agreement between Mr. Wang and Changzhou Wanbo

Changzhou Future Land Wanbo entered into a tenancy agreement (the “**Changzhou Wanbo Tenancy Agreement**”) with Mr. Wang on November 11, 2010, pursuant to which Mr. Wang leased certain office premises in the Changwubei Road Premises, of a GFA of 100 sq.m., to Changzhou Wanbo for nil consideration. The term of the Changzhou Wanbo Tenancy Agreement is for a period of 20 years commencing from November 22, 2010 and ending on November 21, 2030.

During the Track Record Period, we did not pay any rental to Mr. Wang for the use of such premises. We consider that it is in our interest to continue leasing such office premises from Mr. Wang.

#### (3) Tenancy Agreement between Mr. Wang and Changzhou Wuyue Baihuo

Changzhou Wuyue Baihuo entered into a tenancy agreement (the “**Changzhou Wuyue Baihuo Tenancy Agreement**”) with Mr. Wang on April 8, 2011, pursuant to which Mr. Wang leased certain office premises in the Changwubei Road Premises, of a GFA of 100 sq.m., to Changzhou Wuyue Baihuo for nil consideration. The term of the Changzhou Wuyue Baihuo Tenancy Agreement is for a period of 20 years commencing from April 8, 2011 and ending on April 7, 2031.

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During the Track Record Period, we did not pay any rental to Mr. Wang for the use of such premises. We consider that it is in our interest to continue leasing such office premises from Mr. Wang.

### **(4) Tenancy Agreement between Mr. Wang and Changzhou Jingdian Design**

Changzhou Jingdian Design entered into a tenancy agreement (the “**Changzhou Jingdian Design Tenancy Agreement**”) with Mr. Wang on April 13, 2011, pursuant to which Mr. Wang leased certain office premises in the Changwubei Road Premises, of a GFA of 60 sq.m., to Changzhou Jingdian Design for nil consideration. The term of the Changzhou Jingdian Design Tenancy Agreement is for a period of 20 years commencing from April 13, 2011 and ending on April 12, 2031.

During the Track Record Period, we did not pay any rental to Mr. Wang for the use of such premises. We consider that it is in our interest to continue leasing such office premises from Mr. Wang.

### **(5) Tenancy Agreement between Mr. Wang and Changzhou Future Land Keda**

Changzhou Future Land Keda entered into a tenancy agreement (the “**Changzhou Future Land Keda Tenancy Agreement**”) with Mr. Wang on April 13, 2011, pursuant to which Mr. Wang leased certain office premises in the Changwubei Road Premises, of a GFA of 60 sq.m., to Changzhou Future Land Keda for nil consideration. The term of the Changzhou Future Land Keda Tenancy Agreement is for a period of 20 years commencing from April 13, 2011 and ending on April 12, 2031.

During the Track Record Period, we did not pay any rental to Mr. Wang for the use of such premises. We consider that it is in our interest to continue leasing such office premises from Mr. Wang.

### **(6) Tenancy Agreement between Mr. Wang and Changzhou Future Land Hongye**

Changzhou Future Land Hongye entered into a tenancy agreement (the “**Changzhou Hongye Agreement**”) with Mr. Wang on April 13, 2011, pursuant to which Mr. Wang leased certain office premises in the Changwubei Road Premises, of a GFA of 200 sq.m., to Changzhou Future Land Hongye for nil consideration. The term of the Changzhou Hongye Tenancy Agreement is for a period of 20 years commencing from April 13, 2011 and ending on April 12, 2031.

During the Track Record Period, we did not pay any rental to Mr. Wang for the use of such premises. We consider that it is in our interest to continue leasing such office premises from Mr. Wang.

### ***Listing Rules implications***

All the properties leased to us by Mr. Wang under the above tenancy agreements will continue to be rent-free throughout the term of the respective tenancy agreements. As such, the applicable percentage ratios (other than the profit ratio) for each of the above tenancy agreements, is less than 0.1%, the transactions contemplated therein are exempted from reporting, annual review, announcement and independent shareholders’ approval requirements under Rule 14A.33(3)(a) of the Listing Rules.

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### EXEMPT CONTINUING CONNECTED TRANSACTIONS AND FINANCIAL ASSISTANCE ARISING FROM TYPE (II) ARRANGEMENTS

#### Background

We are engaged in property development in the PRC and require external funding in our business operations. In addition to conventional bank loans, PRC property developers obtain alternative financing from trust financing companies using equity interests in their project companies as collateral. Such trust financing arrangements may be in form of type (i) arrangements or type (ii) arrangements. Both types of arrangement are entered into in the ordinary course of business of the PRC property developers. Please refer to the section headed “Business – Alternative Financing Provided By Trust Financing Companies” in this prospectus for details.

Although we had the necessary credit standing to obtain bank loans from commercial banks to finance our property development operations, we have chosen to obtain funding through trust financing arrangements for some of our projects, as we believe these arrangements provided higher flexibility and efficiency in utilising our financial resources, especially when operating in a tightened credit market environment.

Our Directors are of the view that it was and will be in the best interests of our Group to seek alternative funding through trust financing arrangements taking into account the continuous development and the sustainable growth of our Group.

#### Type (ii) Arrangements

We had 22 subsisting trust financing arrangements during the Track Record Period, 11 of which were in the form of type (ii) arrangements. As of the Latest Practicable Date, one type (ii) arrangement remained subsisting. Our Directors expect this type (ii) arrangement to remain in effect at the time of the Listing.

In each of the type (ii) arrangements, the equity interests acquired by the relevant trust financing companies (the “**Type (ii) Trust Financing Companies**”) in our project companies (the “**Project Companies**”) are held as collateral to secure our repayment obligations, and the Type (ii) Trust Financing Companies are obliged under the terms of the relevant trust financing agreements to transfer back to us such equity interests in the Project Companies upon our repayment of the agreed amounts (comprising the principal and the fixed income return). Please refer to the section headed “Business – Alternative Financing Provided By Trust Financing Companies” in this prospectus for a summary of the type (ii) arrangements entered into by us as of the Latest Practicable Date.

#### Trust Financing Companies as Secured Lenders and Type (ii) Arrangements as Secured Loans

Our Directors have confirmed that:

- (i) save for the relationships with our Group as set out below, each of the Type (ii) Trust Financing Companies is an independent third party;
- (ii) we retained power to govern the financial and operating policies of the Project Companies so as to continue to benefit from their day-to-day operational activities; and

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- (iii) the Type (ii) Trust Financing Companies, on the other hand, do not have power or control over the management and operation of the Project Companies and do not derive any earning other than the fixed income return pursuant to the relevant trust financing arrangements.

Our PRC legal advisers have also advised that all type (ii) arrangements are secured borrowing transactions in nature. In accordance with generally accepted accounting principles under HKFRSs, we treated the Project Companies as our subsidiaries throughout the Track Record Period and the funding received from the type (ii) arrangements were recorded as secured borrowings in our financial statements. It follows that the equity interests had been transferred to the Type (ii) Trust Financing Companies solely by way of security as collateral for the secured borrowings under the type (ii) arrangements. Effectively, Type (ii) Trust Financing Companies are not considered as “shareholders” of the Project Companies.

### **Certain Trust Financing Companies Regarded as Our Connected Persons Pursuant to Chapter 14A of the Listing Rules**

Notwithstanding the above, as the Type (ii) Trust Financing Companies had acquired 10% or more equity interests in the Project Companies, they are regarded as our connected persons pursuant to, and solely in relation to Chapter 14A of the Listing Rules. As such, any transaction entered into between us and the Type (ii) Trust Financing Companies becomes a connected transaction or continuing connected transaction of our Group and will be subject to the applicable reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Our Directors expect some of these connected transactions to continue for a period of time after Listing. These include:

- (i) certain of the existing type (ii) arrangements entered into by us with the Type (ii) Trust Financing Companies; and
- (ii) various continuing ancillary arrangements under the existing type (ii) arrangements.

Details relating to our continuing connected transactions arising from the type (ii) arrangements are set out below.

### **Continuing Connected Transactions with Jiangsu International Trust**

As a result of the type (ii) arrangements of Nanjing Future Land Wanjia entered into between us and Jiangsu International Trust, which is expected to continue after Listing, Jiangsu International Trust will continue to hold 48.4% equity interests in Nanjing Future Land Wanjia, and will be our connected person after Listing.

We have entered into the following transactions with Jiangsu International Trust, which we expect to continue upon completion of the Global Offering:

- Changzhou Future Land and Jiangsu Future Land pledged 41.61% and 10% of the equity interests they respectively held in Nanjing Future Land Wanjia to Jiangsu International Trust on December 15, 2010 in respect of a trust loan of RMB150.0 million provided by Jiangsu International Trust to Changzhou Future Land under a type (ii) arrangement to secure the performance and obligations of Changzhou Future Land thereunder (“**Changzhou Future Land – Jiangsu International Type (ii) Security Arrangements**”); and

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- Jiangsu International Trust provided a trust loan of RMB225.0 million to Changzhou Dongsheng under a type (i) arrangement for a total financing cost of 13.0%. In addition, Jiangsu Future Land provided a corporate guarantee to Jiangsu International Trust to secure the performance and obligations of Changzhou Dongsheng under such type (i) arrangement “**Changzhou Dongsheng – Jiangsu International Type (i) Lending and Guarantee Arrangements**”.

### Implications under the Listing Rules

Pursuant to Rules 14A.13(3), 14A.13(4) and 14A.14 of the Listing Rules:

- the Changzhou Future Land – Jiangsu International Type (ii) Security Arrangements constitute continuing connected transactions of our Group and security granted by us to our connected person in respect of financial assistance made to us by our connected person; and
- the Changzhou Dongsheng – Jiangsu International Type (i) Lending and Guarantee Arrangements constitute continuing connected transactions of our Group and financial assistance provided to us by our connected person and a guarantee granted by us to and/or for the benefit of our connected person.

The above transactions are continuing connected transactions and financial assistance only because they involve trust financing companies who are connected persons of our Company by virtue of their respective relationships with certain of our subsidiaries. In addition, the value of the total assets, profits and revenues of Changzhou Future Land Wanjia was less than 10% under the relevant percentage ratios as set out in Rule 14.04(9) of the Listing Rules for each of the latest three financial years. Accordingly, each of the above transactions constitutes continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements according to Rules 14A.31(9) and 14A.33(4) of the Listing Rules.

### Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the Exempt Continuing Connected Transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms, are fair and reasonable and in the best interests of our Group and our Shareholders as a whole.