
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

Upon completion of the Global Offering and the Capitalization Issue, our immediate controlling shareholder, Super Land, will be legally interested in approximately 73.57% of the issued share capital of our Company (without taking into account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of options granted under the Share Option Scheme). The entire issued share capital of Super Land is held by Fantastic Energy which is ultimately held by Cititrust Cayman acting as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. Salum Zheng Lee as settlor and the beneficiaries of the Family Trust include Mr. Salum Zheng Lee, Mr. Zhang Lei and their respective family members. Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman are regarded as our Controlling Shareholders.

None of Mr. Zhang Lei and Mr. Salum Zheng Lee is interested in any businesses which is in direct or indirect competition with our businesses. To ensure that there will be no competition in the future, our Controlling Shareholders have executed the Non-Competition Deed in our favor to the effect that each of them will not, and will procure that each of their respective associates will not, directly or indirectly, participate in or hold any rights or interests or otherwise be involved in any businesses which may be in competition with our businesses.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on our businesses independently of our Controlling Shareholders and their respective associates (other than our Group) after Listing:

Management Independence

Our Board consists of seven Directors, of whom four are executive Directors, and three are independent non-executive Directors. Mr. Zhang Lei, one of our executive Directors and the chairman of our Company holds directorships in our Group and companies outside our Group. Even though Mr. Zhang Lei may not spend a majority of his working time on the operations of our Group after the Listing, the other three executive Directors, Mr. Zhong Tianxiang, Mr. Chen Yin and Mr. Fan Qingguo, will spend substantially all of their working time on the operations of our Group after the Listing. Notwithstanding Mr. Zhong Tianxiang, Mr. Chen Yin and Mr. Fan Qingguo's directorships in companies outside our Group, they will not be involved in the day-to-day management or affairs and operations of such companies save for the attendance of the board meetings of such non-Group companies from time to time.

The day-to-day management of our Company is supervised by a team comprising our four executive Directors and our senior management. Our senior management comprises Mr. Li Jing and Mr. Zhang Peng. During the Track Record Period, although members of the senior management team held directorships in certain non-Group companies, none of them were involved in the day-to-day operations of such non-Group

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companies, other than Mr. Zhang Peng. Notwithstanding Mr. Zhang Peng's involvement in the management of the operations of certain non-Group companies, he had devoted a majority of his time on the day-to-day operations of our Group. Upon the Listing, our senior management (including Mr. Zhang Peng) will devote substantially all of their time and resources in our Group operations. Please refer to the section headed "Directors, Senior Management and Staff" in this prospectus for more details on the background of our Directors and senior management.

We believe that we have sufficient and efficient control mechanisms to enable our Directors to discharge their duties appropriately to avoid potential conflicts of duty and interest and to safeguard the interests of our Shareholders as a whole, based on the following grounds:

- (i) With regards to the information of our Group or relating to our business obtained by Mr. Zhang Lei, Mr. Zhong Tianxiang, Mr. Chen Yin and Mr. Fan Qingguo in discharging their duties as our executive Directors, Mr. Zhang Lei, Mr. Zhong Tianxiang, Mr. Chen Yin and Mr. Fan Qingguo have undertaken to us that they will only use such information in the best interests of our Company and our Shareholders as a whole.
- (ii) Mr. Zhang Lei, Mr. Zhong Tianxiang, Mr. Chen Yin and Mr. Fan Qingguo will abstain from all discussions or voting on resolutions involving transactions between our Group and other companies in which they have been appointed as a director, supervisor or general manager and each of our Directors is aware of his fiduciary duties as a director of our Company which require, amongst other things, that he acts for the benefit and in the best interests of our Company. According to our Articles of Association, in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum at such meetings. In addition, we have a senior management team to carry out our business decisions independently. Our three independent non-executive Directors who possess the requisite qualifications, experience, integrity, impartiality and absence of conflict of material interests to act in the best interests of our Company will also bring independent judgment to the decision-making process of our Board.
- (iii) Our executive Directors and senior management have served us for an extended period of time and have substantial experience in the real estate industry in which our Group is engaged. In the event of conflict of interests, Mr. Zhang Lei, Mr. Zhong Tianxiang, Mr. Chen Yin and Mr. Fan Qingguo will have to abstain from voting on any matters. Hence they would be unable to influence our Board in making decisions on matters in which they are or may be interested. Excluding these executive Directors, we believe there remain

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sufficient members of our Board with the requisite qualification, integrity, experience and impartiality who would be able to fully safeguard the interests of our Company and of our Shareholders as a whole in the event of a conflict of interests. Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus for more details on the background of our Directors.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and our Directors, including our independent non-executive Directors, are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Operational Independence

Our organizational structure is made up of individual departments, each with specific areas of responsibility. Our Group has independent access to customers and suppliers. None of our Controlling Shareholders and Directors or their respective associates has been our major supplier or customer which provided any critical services or materials for our operation during the Track Record Period. We have also established a set of internal controls to facilitate the effective operation of our business.

For further details of continuing connected transactions between us and our connected persons, please refer to the section headed “Connected Transactions” in this prospectus.

Administrative Independence

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and R&D.

Financial Independence

We have an independent financial accounting system and we make financial decisions according to our own business needs. As at the Latest Practicable Date, except for the non-trade and trade balances with our related parties, we did not have any outstanding balance owed to or from or any guarantee or other security from or to, our Controlling Shareholders. All non-trade balances with the related parties will be settled before the Listing. We believe we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders. Therefore, we are financially independent from our Controlling Shareholders.

Hotel business invested by a Controlling Shareholder

During the Track Record Period, Mr. Zhang Lei, one of our Controlling Shareholders and our executive Director, through his wholly-owned Prosperity Hotel, holds 100% equity interest in Beijing Megahall Hotel Operation Management Co., Ltd. (北京萬國城酒店運營管理有限公司) (“**Beijing Megahall Hotel**”). Beijing Megahall Hotel is principally engaged in the operation and development of business hotels in the PRC. Beijing Megahall Hotel has not been injected into the Group as the hotels and serviced apartments of our Group constitute approximately 0.9% of the total GFA of the property projects of our Group only and business hotels and serviced apartments are not within the core business of our Group. We expect to operate hotels and/or serviced apartments in Modern MOMA, Phase 3 of Wan Guo Cheng MOMA (Taiyuan), Xiantao Mantingchun MOMA and the planned GFA of such projects are expected to be approximately 6,837 sq.m. (representing approximately 4.3% of the total GFA of Modern MOMA), 14,241 sq.m. (representing approximately 13.2% of the total GFA of Phase 3 of Wan Guo Cheng MOMA (Taiyuan)) and 20,160 sq.m. (representing approximately 2.4% of the total GFA of Xiantao Mantingchun MOMA), respectively. These hotels and/or serviced apartments are intended to form part of the ancillary facilities in the properties for use by the residents in the respective properties.

Based on the information provided to us by Mr. Zhang Lei, Beijing Megahall Hotel is planning to develop a parcel of land designated for commercial and financial use in Dongcheng District, Beijing (“**Modern Building Business Hotel**”), which is expected to commence operations in 2014 and the prospective clients are expected to be mostly individual travelers or short-term business customers. The expected total GFA of Modern Building Business Hotel is approximately 56,608 sq.m. which will comprise approximately 270 hotel rooms and hotel facilities such as restaurants, spas and other entertainment and recreational facilities. In addition, our hotels and serviced apartments are different from Modern Building Business Hotel and the other hotel operations of Beijing Megahall Hotel in the following aspects:

- Our hotels and serviced apartments are comparatively much smaller in terms of the number of rooms, the total planned GFA and facilities, which are expected to be simple ancillary facilities without hotel facilities such as restaurants, lounges, spas and clubs with basic decor.
- Our hotels and serviced apartments are intended to form part of the ancillary facilities in our property projects which are intended for use by friends or relatives of the residents of our properties for short-term visits.
- Our hotels and serviced apartments will not be promoted separately and individually to individual travelers or short-term business customers as business hotels or serviced apartments.

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Given the above differences, our Directors do not expect there to be any material overlap or competition between the businesses of our Group and Beijing Megahall Hotel. Mr. Zhang Lei does not have any current intention to further invest in hotel businesses which will or likely to compete with our business including the operation of hotels and/or serviced apartments and has undertaken to us that upon the Listing, he will only invest in hotel businesses subject to the terms of the right of first refusal in the Non-competition Deed. Our Directors are therefore of the view that the hotel businesses operated by Beijing Megahall Hotel will not compete with our business. Nonetheless, in April 2013, Mr. Zhang Lei, having decided to eliminate the potential competition above, through his wholly-owned company, Modern Hotel Management Co., Ltd., the holding company of Prosperity Hotel, disposed of his entire equity interest in Prosperity Hotel (together with its underlying assets) at a consideration of RMB1,290 million to an Independent Third Party, the transaction of which is expected to complete in the second half of 2014.

Suizhong Yutingchun MOMA

Mr. Zhang Lei, together with his daughter, Ms. Zhang Xinyu, indirectly owned Modern Investment Management, which through Modern Moma and Suizhong Changlong, currently holds Suizhong Yutingchun MOMA, a property project at Suizhong County, Liaoning Province, the PRC. Suizhong Yutingchun MOMA has not had its construction commenced as of the Latest Practicable Date, and has a site area of approximately 283,584 sq.m. and a planned GFA of approximately 527,021 sq.m. Modern Investment Management has not been injected into the Group as it, through its subsidiaries, is engaged in property management business which is not the core business of the Group, and save for its holding of Suizhong Yutingchun MOMA, the business of Modern Investment Management has no competition with that of the Group.

The Group disposed of Suizhong Yutingchun MOMA by way of disposal of all of its equity interest in Modern Moma to Modern Investment Management in April 2013 (the “Disposal”), having considered the protracted delay in the commencement of construction of Suizhong Yutingchun MOMA, the uncertainty as to the development of Suizhong Yutingchun MOMA and the retention of Company’s cash resources for prudent deployment. For further details of the Disposal, please refer to “History and Reorganization – Reorganization – Disposal of Modern Moma and Suizhong Changlong” in this prospectus.

The Directors consider that competition between our business and the business of the Controlling Shareholders after the Disposal is not extreme and can be reasonably managed because (i) Suizhong Yutingchun MOMA is currently a project held for future development and does not have any saleable GFA in competition with our other projects; (ii) Suizhong Yutingchun MOMA is located in Suizhong County, Liaoning Province, which we do not currently have any projects nearby; (iii) we have no immediate plan to acquire land in Suizhong County for property development soon; and (iv) the planned GFA of Suizhong Yutingchun MOMA is currently expected to be approximately 527,021 sq.m. which is not significant in comparison with the total GFA of the Group’s projects of approximately 4,026,769 sq.m.

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Furthermore, to safeguard the interests of the Company and the Shareholders as a whole and avoid potential competition between the Group and the Controlling Shareholders, pursuant to the Non-competition Deed, details of which are set out in the sub-section “Non-competition Undertakings” below, the following measures have been adopted:

- (i) Mr. Zhang Lei has granted the Company a sole and exclusive option (the “Option”), exercisable by the Company at any given time after the completion of necessary road network adjustment and ancillary municipal facilities enabling the commencement of construction of Suizhong Yutingchun MOMA, to require Mr. Zhang Lei and/or his relevant controlled entities to sell or procure to be sold to the Company or a subsidiary designated by the Company all the equity interest in Modern Moma at a consideration based on the net asset value of Modern Moma as adjusted by the fair market price of Suizhong Yutingchun MOMA to be determined by reference to an independent valuation.
- (ii) Mr. Zhang Lei has granted the Company a right of first refusal (the “Right of First Refusal”) (in addition to the Option as set out in paragraph (i) above), exercisable in the event that Mr. Zhang Lei and/or his relevant controlled entities propose to sell, transfer or otherwise dispose of any of the equity interest in Modern Moma to any third party(ies), whether independent or not, to acquire the whole, or any of the equity interest in Modern Moma at the price at which it is proposed to be sold, transferred or otherwise disposed of by Mr. Zhang Lei and/or his relevant controlled entity to any third party(ies) (the “Intended Sale Price”).

If the Company decides not to exercise the Right of First Refusal, Mr. Zhang Lei would be permitted to dispose of the equity interest in Modern Moma to any third party(ies) at a price no less than the Intended Sale Price.

- (iii) Mr. Zhang Lei by way of Non-competition Deed has agreed and made the following undertakings (the “Undertakings”):
 - (a) he and his associates will use his best endeavours to procure the commencement of construction of Suizhong Yutingchun MOMA and completion of the acquisition of the remaining 60% equity interest in Suizhong Changlong from Mr. Chen Long pursuant to the relevant share transfer agreement (the “Remaining Equity Interest Acquisition”);
 - (b) for so long as any of the Option and the Right of First Refusal subsists, save and except for the Remaining Equity Interest Acquisition, no change shall be made in the shareholding structure of Modern Moma or Suizhong Changlong or in the ownership of Suizhong Changlong over any part of Suizhong Yutingchun MOMA without the prior written consent of the Company and if given, may be subject to such conditions, if any, as the Company may reasonably impose;

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- (c) he and his associates will provide the Group with updates on the status of Suizhong Yutingchun MOMA such as the implementation of ancillary municipal facilities necessary for its construction commencement and the Remaining Equity Interest Acquisition;
- (d) he will not attend any meeting of the Board convened to resolve matters in connection with the exercise of Option or the Right of First Refusal or any matters in relation to or in connection with Suizhong Yutingchun MOMA in which he is interested or if having attended such meeting he will leave before voting on such resolution commences; and
- (e) for so long as he remains a Controlling Shareholder and a Director, he and his associates will not develop Suizhong Yutingchun MOMA or any part thereof.

In any event, only our independent non-executive Directors will review, on an annual basis, the compliance with the “Non-competition Undertakings”, and vote (or be counted in the quorum) on any resolution in connection with the exercise of the Option or the Right of First Refusal or any matters regarding Suizhong Yutingchun MOMA, and if our independent non-executive Directors consider it necessary and desirable, they may also engage professional advisors (including an independent financial advisor) at the cost of our Company to advise them on such matters. We believe that our independent non-executive Directors, who represent over one-third of the entire Board (specifically three out of seven), will be able to act in the best interests of the Company as they have relevant experience in property, business management and accounting industry. In particular, Mr. Qin Youguo, who is chairman of Building Physics Sub-Institute of Architectural Society of China and a professor of architecture at Tsinghua University, has over 30 years of experience in the field of architecture and real-estate in the PRC. Mr. Cui Jian, who is the chairman of an investment consultation company, has extensive experience in business management. Mr. Hui Chun Ho, Eric, who is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, has 15 years of professional work experience in auditing, financial accounting and reporting and corporate finance. We believe the directorship and relevant experience in property, business management and accounting industry of our independent non-executive Directors will further contribute to the safeguarding of the Company’s and the Shareholders’ interests as a whole.

NON-COMPETITION UNDERTAKINGS

During the Track Record Period, a number of entities controlled by our Controlling Shareholders had conducted transactions with our Company. The business operations of such entities include landscape architecture, property management, provision of labor services and heating services, corporate management and image consultancy, investment consultancy, labor services, sales planning, property agency services, elevator maintenance and installation, management of clubhouse, catering management and provision of catering services, conference services, gym services, operation of exhibitions, operation of car parks, asset management, commercial projects planning, business management, and operation of preschools. Some of the entities are holding companies which do not have any business operations currently.

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Each of Mr. Zhang Lei and Mr. Salum Zheng Lee, our ultimate Controlling Shareholders, has confirmed that save for the Modern Building Business Hotel project and the Suizhong Yutingchun MOMA project, details of which are set out in paragraphs headed “Hotel business invested by a Controlling Shareholder” and “Suizhong Yutingchun MOMA” in this section above, none of them is engaged in, or is interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our businesses. To protect our Group from any potential competition, our Controlling Shareholders have entered into an irrevocable Non-competition Deed in our favor on June 14, 2013 pursuant to which each of them has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that his/its respective associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, participate in, carry on, invest in or be engaged in any business including without limitation any property development business in the PRC and the U.S. which will or may compete with the business currently and from time to time engaged by our Group (“**Restricted Business**”);
- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);
- (iii) not, without our consent, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and
- (iv) in respect of unsolicited enquiries or business opportunities coming to their knowledge, unconditionally use reasonable endeavors to procure that such potential customers appoint or contact directly with any member of our Group.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:
 - (a) the date on which Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman (individually or taken as a whole) ceases to be controlling shareholders for the purpose of the Listing Rules;
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means:
 - (a) any direct or indirect investments of Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman and/or their respective associates (excluding our Group) in any member of our Group;

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- (b) any direct or indirect investment of Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman and/or their respective associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby:
 - (i) the aggregate interests held by him/it and/or his/its associates shall not exceed 5% of the entire issued share capital of that company;
 - (ii) none of him/it and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and
 - (iii) none of him/it and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries; and
- (c) the Modern Building Business Hotel project and the Suizhong Yutingchun MOMA project, details of which are set out in paragraphs headed “Hotel business invested by a Controlling Shareholder” and “Suizhong Yutingchun MOMA” in this section above.

Each of Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman has undertaken under the Non-competition Deed that he or it shall, and procure his/its respective associates (other than our Group) to, provide to us, our auditors and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by our auditors and/or independent non-executive Directors with regards to compliance with the terms of the Non-competition Deed by Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman. Each of Mr. Zhang Lei, Mr. Salum Zheng Lee, Super Land, Fantastic Energy and Cititrust Cayman has also undertaken to make an annual declaration in our annual report as to compliance with the terms of the Non-competition Deed. Any transaction between us and connected persons in connection with Suizhong Yutingchun MOMA including without limitation the exercise of the Option and/or the Right of First Refusal shall comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of these rules. Any decision made in respect of the Option, the Right of First Refusal (including the decision not to exercise such option or right for purpose of acquiring any interests in Suizhong Yutingchun MOMA) or any matters in relation to Suizhong Yutingchun MOMA together with basis of such decision made will be disclosed in our annual report after Listing.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the Non-competition Deed, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors will review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-competition Deed by our Controlling Shareholders;

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- (ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed either through our annual report or by way of an announcement;
- (iii) we will disclose in the corporate governance report of our annual report, our compliance measures and enforcement measures relating to the Non-competition Deed;
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matters to be deliberated by our Board in relation to the compliance and enforcement of the Non-competition Deed, such interested Director shall disclose his interests to our Board and may not vote on the resolutions of our Board approving the relevant matter and shall not be counted towards the quorum for such meeting of our Board pursuant to the applicable provisions in the Articles of Association; and
- (v) we are committed that our Board would include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors. We believe our independent non-executive Directors possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial external opinion to protect the interests of our Shareholders as a whole. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Staff – Directors – Independent non-executive Directors” in this prospectus.

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