
CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, following completion of the Global Offering and the Capitalization Issue, our Directors, Substantial Shareholders and any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their respective associates will constitute a connected person of our Company. Upon the Listing of our Shares on the Stock Exchange, our transactions with such connected persons will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Exempt continuing connected transaction

Financial Assistance

During the year ended December 31, 2010, Beijing Modern City Real Estate Development Co., Ltd. (北京當代城市房地產開發有限公司) (“Beijing Modern City Real Estate”) contributed a property to an employee of our Group, the title of the property will be transferred to the employee upon his completion of the service period of 10 years. Beijing Modern City Real Estate is a company controlled by Mr. Zhang Lei, our Controlling Shareholder, and hence a connected person of our Company. We recognized this transaction as staff cost and contribution from Beijing Modern City Real Estate, which amounted to approximately RMB68,000, RMB407,000 and RMB407,000 for the years ended December 31, 2010, 2011 and 2012, respectively.

The above transaction constitutes provision of financial assistance by a connected person to our Company and will constitute a continuing connected transaction for our Company after the Listing. Since the financial assistance is provided by Beijing Modern City Real Estate for the benefit of our Company on normal commercial terms (or better to our Company) where no security over the assets of our Company is granted in respect of the financial assistance, the above transaction is exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transactions which are subject to the reporting, annual review and announcement but are exempt from independent shareholders’ approval

Our Directors confirm that the following transactions will, upon Listing, constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

(i) Property Management Services

During the Track Record Period, certain subsidiaries of First Moma Asset, namely Hunan First Estate, Beijing First Estate, Shanxi First Estate, Jiangxi First Estate, Hubei First Estate, Beijing Tongzheng Equipment and Moma Club, had provided property management services to our Group. First Moma Asset is owned indirectly by Mr. Zhang Lei, our Director and a Controlling Shareholder, hence a connected person of our

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Company. Transactions between Hunan First Estate, Beijing First Estate, Shanxi First Estate, Jiangxi First Estate, Hubei First Estate, Beijing Tongzheng Equipment and Moma Club on the one hand and our Group on the other will constitute continuing connected transactions for our Company upon Listing. Details of the property management services provided during the Track Record Period are set forth below:

<u>Connected party</u>	<u>Subsidiary of our Company involved</u>	<u>Location of service</u>	<u>Basis of calculations</u>
Hunan First Estate	Hunan Modern Green	Hunan Province	(i) costs of labor for the management of sales offices and offices district; (ii) the property management fees in respect of the sales offices and offices district; (iii) costs incurred as a result of reduced purchasers' property management fees; and (iv) property management fees in respect of the management and leasing of vacant properties and car parks
Beijing First Estate	Modern Green Development	Beijing	(i) costs of labor for the provision of cleaning, maintenance and security services in respect of offices district; (ii) property management fees in respect of the management and leasing of car parks and vacant properties; (iii) costs of setting up show flats; (iv) costs of heating; (v) fresh air displacement ventilation fees; (vi) costs incurred as a result of reduced purchasers' property management fees; and (vii) costs of maintenance
	Beijing Dongjun	Beijing	(i) property management fees in respect of the clubhouse, sales offices and vacant properties; (ii) costs of labor for the property management services; (iii) costs of heating; (iv) fresh air displacement ventilation fees; and (v) costs incurred as a result of reduced purchasers' property management fees
	Beijing Modern	Beijing	(i) property management fees in respect of the car parks and vacant properties; (ii) costs of heating; (iii) fresh air displacement ventilation fees; and (iv) costs incurred as a result of reduced purchasers' property management fees
	Hubei Wanxing	Hubei Province	Property management fees in respect of the management and leasing of the vacant car parks and properties

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Connected party	Subsidiary of our Company involved	Location of service	Basis of calculations
Shanxi First Estate	Shanxi Modern Green Development	Shanxi Province	(i) costs of labor for the management of sales offices; (ii) property management fees in respect of the sales offices; (iii) costs incurred as a result of reduced purchasers' property management fees; (iv) costs of heating; (v) fresh air displacement ventilation fees; and (vi) property management fees in respect of the vacant car parks and properties
Jiangxi First Estate	Jiangxi Modern Green	Jiangxi Province	(i) costs of labor for the management of sales offices; (ii) costs incurred as a result of reduced purchasers' property management fees; and (iii) property management fees in respect of the management and leasing of the vacant car parks and properties
	Jiujiang Moma	Jiangxi Province	(i) costs of labor for the management of sales offices; (ii) costs incurred as a result of reduced purchasers' property management fees; and (iii) property management fees in respect of the vacant car parks and properties
Hubei First Estate	Hubei Wanxing	Hubei Province	(i) costs of labor for the management of sales offices; (ii) costs incurred as a result of reduced purchasers' property management fees; and (iii) property management fees in respect of the vacant car parks and properties
Beijing Tongzheng Equipment	Beijing Dongjun	Beijing	Costs of maintenance of elevators
	Beijing Modern	Beijing	Costs of installation and maintenance services of elevators
	Hubei Wanxing	Hubei Province	Costs of installation and maintenance services of elevators
	Hunan Modern Green	Hunan Province	Costs of installation and maintenance services of elevators
	Jiangxi Modern Green	Jiangxi Province	Costs of installation and maintenance services of elevators

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Connected party	Subsidiary of our Company involved	Location of service	Basis of calculations
	Jiujiang Moma	Jiangxi Province	Costs of installation and maintenance services of elevators
	Modern Green Development	Beijing	Costs of maintenance of elevators
	Shanxi Modern Green Development	Shanxi Province	Costs of installation and maintenance services of elevators
Moma Club	Modern Green Development	Beijing	Costs of operation and provision of catering services for staff

During the Track Record Period, apart from our connected parties, we had not engaged other third parties for the provision of property management services. We will continue to engage our connected parties for property management services during the tenure of the relevant agreements with them after Listing. We have no exclusivity arrangement with any of our connected parties in this regard. For the years ended December 31, 2010, 2011 and 2012, the aggregate amounts of the property management fees paid by us were approximately RMB19.3 million, RMB23.6 million and RMB37.9 million, respectively.

On June 14, 2013, First Moma Asset and our Company entered into a master agreement for the provision of property management services to our Group commencing on the Listing Date and ending on December 31, 2015 (the “**Master Property Management Agreement**”). It is envisaged that from time to time and as required, members of our Group will enter into individual property management services agreement with members of the First Moma Asset Group. Such individual property management services agreements are expected to set out the detailed terms and provisions of the property management services which may include the binding principles, guidelines, terms and conditions in the Master Property Management Agreement.

It is expected that, based on prevailing market rates, the aggregate annual property management fees payable by us to First Moma Asset Group in relation to the Master Property Management Agreement for the three years ending December 31, 2015 will not exceed RMB56 million, RMB59 million and RMB62 million, respectively. As property management fees are chargeable by First Moma Asset Group in respect of properties which are expected to be completed, the above caps were determined by our Directors with reference to the costs associated with the expected area of our projects to be completed, including the property management fees payable by us in respect of the clubhouses, office districts, sales offices and vacant car parks and properties, costs of

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labor for the provision of cleaning, maintenance and security services, costs for setting up show flats, costs of heating, fresh air displacement ventilation fees, costs incurred as a result of reduced small owners' property management fees, costs of installation and maintenance services of elevators, costs of operation and provision of catering services for staff. In addition to the management of properties of completed projects, property management services provided by our connected parties include, among others, the setting up and management of sales offices and the management and maintenance of vacant properties prior to sale in respect of our projects which are under development.

The increase in property management fees paid by us in 2012 was principally due to the completion of construction of a number of projects in the second half of 2011 and in 2012 including Changsha Mantingchun MOMA, Phase 1 of Wan Guo Cheng MOMA (Taiyuan), Phase 4 of MOMA Forest Forever and Nanchang Mantingchun MOMA which led to the increase in management and maintenance fees of the completed portions of these projects.

In estimating the annual caps for the years ending December 31, 2013, 2014 and 2015, our Directors have taken into consideration the increasing trend in the property management fees paid during the Track Record Period. The increase in the estimated annual cap for the years ending December 31, 2013, 2014 and 2015 as compared to the historical amounts during the Track Record Period mainly reflects, among other things (a) the management and maintenance fees payable due to the progressive completion of projects which are currently under development including Phase 3 of Wan Guo Cheng MOMA (Taiyuan), Jiujiang Mantingchun MOMA, Xiantao Mantingchun MOMA and Changsha Kaifu Mantingchun MOMA, which are scheduled to complete during 2013 to 2015 and have an approximate planned GFA of 108,012 sq.m., 241,193 sq.m., 852,473 sq.m. and 529,620 sq.m. respectively; (b) the costs in setting up and management of sales offices of projects which will commence pre-sales; (c) the installation and maintenance fees of elevators; and (d) the costs for catering services provided to our staff.

Our Directors (including our independent non-executive Directors) consider that the transactions under the Master Property Management Agreement are on normal commercial terms and are fair and reasonable and in the interests of our Company and Shareholders as a whole. As each of the assets ratio, revenue ratio and consideration ratio is on an annual basis more than 0.1% but less than 5%, transactions under the Master Property Management Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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(ii) Real Estate Agency Services

During the Track Record Period, First Moma Real Estate Brokerage and First Moma Asset Operation provided real estate agency and related consultation and management services in relation to commercial properties to our Group. Each of First Moma Real Estate Brokerage and First Moma Asset Operation is a subsidiary of First Moma Asset, which is owned indirectly by Mr. Zhang Lei, our Director and a Controlling Shareholder, hence a connected person of our Company. Transactions between each of First Moma Real Estate Brokerage and First Moma Asset Operation on the one hand and our Group on the other will constitute continuing connected transactions for our Company upon Listing. Details of the real estate agency services provided during the Track Record Period are set forth below:

<u>Connected party</u>	<u>Subsidiary of our Company involved</u>	<u>Location of service</u>	<u>Basis of calculation</u>
First Moma Real Estate Brokerage	Modern Green Development	Beijing	Commission fees payable in respect of the property agency services in relation to commercial properties
First Moma Asset Operation	Modern Green Development	Beijing	Commission fees payable in respect of the property agency services in relation to commercial properties

During the Track Record Period, commission fees were determined by reference to the rental income receivable by our Group. The commission fees payable by our Group to First Moma Asset in respect of the property agency services provided in relation to the commercial properties were the aggregate of (i) one month's rental income receivable by our Group and (ii) related consultation and management services within the range of 5% to 10% of the monthly rental fee provided that the rental period is over one year.

During the Track Record Period, apart from our connected parties, we had not engaged other third parties for the provision of real estate agency services. We will continue to engage our connected parties for real estate agency services during the tenure of the relevant agreements with them after Listing. We have no exclusivity arrangement with any of our connected parties in this regard. For the years ended December 31, 2010, 2011 and 2012, the aggregate amounts of the real estate agency service fees paid by us were approximately RMB1.2 million, RMB0.8 million and RMB5.3 million, respectively.

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On June 14, 2013, First Moma Asset and our Company entered into a master agreement for the provision of real estate agency and related consultation and management services in relation to commercial properties by First Moma Asset Group to our Group commencing on the Listing Date and ending on December 31, 2015 (the “**Master Real Estate Agency Agreement**”). It is envisaged that, from time to time and as required, members of our Group will enter into individual real estate services agreement with members of the First Moma Asset Group. Such individual real estate service agreements are expected to set out the detailed terms and provisions of the real estate agency services which may include the binding principles, guidelines, terms and conditions in the Master Real Estate Agency Agreement.

It is expected that, based on prevailing market rates, the aggregate annual real estate agency services fees and commissions for the provision of real estate agency and related consultation and management services in relation to commercial properties payable by us to First Moma Asset Group under the Master Real Estate Agency Agreement for the three years ending December 31, 2015 will not exceed RMB5.2 million, RMB5.5 million and RMB5.8 million, respectively. The above caps were determined by our Directors with reference to the commission fees payable in respect of the property agency services in relation to the commercial properties.

The decrease in the real estate agency service fees payable to us in the year ended December 31, 2011 was attributable to the decrease in the number of commercial properties available for leasing at Modern MOMA and Wan Guo Cheng MOMA. The increase in the historical amount for the year ended December 31, 2012 and the estimated annual caps for the years ending December 31, 2013, 2014 and 2015 are mainly due to (i) the expiration of the rent free periods in respect of some of the commercial properties in 2012; (ii) the addition of investment properties namely certain retail units in all of Phase 1 of Wan Guo Cheng MOMA (Changsha) and Changsha Mantingchun MOMA, the clubhouse of Phase 1 of MOMA Forest Forever, and basement level 1 of iMOMA and the clubhouse of Nanchang Mantingchun MOMA in 2012; and (iii) the expected increase in new tenants and rental chargeable on existing tenants.

Our Directors (including our independent non-executive Directors) consider that the transactions under the Master Real Estate Agency Agreement are on normal commercial terms and are fair and reasonable and in the interests of our Company and Shareholders as a whole. As each of the assets ratio, revenue ratio and consideration ratio is on an annual basis more than 0.1% but less than 5%, transactions under the Master Real Estate Agency Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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(iii) Lease of Properties

We had entered into the following leases (the “**Leases**”) relating to the leasing of our properties to certain connected persons of our Company, which will continue after the Listing:

Lease of certain portion of 3rd floor, Block 8, Wan Guo Cheng MOMA, Beijing

Beijing First Estate is owned indirectly by Mr. Zhang Lei and hence a connected person of our Company. Modern Green Development had entered into a tenancy agreement with Beijing First Estate on March 28, 2013, pursuant to which we agreed to let our property at 3rd floor, Block 8, Wan Guo Cheng MOMA, Beijing, the PRC with a leased area of approximately 457.52 sq.m. to Beijing First Estate for a term of three years commencing from March 28, 2013 to March 27, 2016 at a rental of RMB66,722 per month.

Lease of Shop Nos. 106-109, 1/F., Complex Building at iMOMA, Anningzhuang West Road, Qinghe, Haidian District, Beijing

Beijing Moma Preschool is owned indirectly by Mr. Zhang Lei and hence a connected person of our Company. Beijing Modern had entered into a tenancy agreement with Beijing Moma Preschool on April 12, 2011 (the “**iMOMA Preschool Lease Agreement**”), pursuant to which we agreed to let our property at Shop Nos. 106-109, 1/F., Complex Building at iMOMA, Anningzhuang West Road, Qinghe, Haidian District, Beijing, the PRC with a leased area of approximately 580.18 sq.m. to Beijing Moma Preschool for a term of five years commencing from April 1, 2011 to March 31, 2016 at a rental of RMB21,176.57 per month with a three-month rent free period from April 1, 2011 to June 30, 2011. The property is used for the operation of a preschool.

Lease of Block 4, Shangdi MOMA, South Ku, Qinghe, Haidian District, Beijing (“Shangdi MOMA Beijing Premises”)

Beijing Moma Preschool is owned indirectly by Mr. Zhang Lei and hence a connected person of our Company. Beijing Modern had entered into a tenancy agreement with Beijing Moma Preschool on May 30, 2013 (the “**Shangdi MOMA Preschool Lease Agreement**”), pursuant to which we agreed to let our property at Block 4, Shangdi MOMA, South Ku, Qinghe, Haidian District, Beijing, the PRC with a leased area of approximately 2,120.10 sq.m. to Beijing Moma Preschool for a term of 15 years commencing from June 1, 2013 to August 31, 2029. The property is used for the operation of a preschool. The Shangdi MOMA Beijing Lease Agreement provided for a rent free period of 821 days, ending on August 31, 2015 and at such rental fee to be determined based on the prevailing market rates as of September 1, 2015. The rental fee of the Shangdi MOMA Preschool Premises will be subject to the applicable provisions, including Chapter 14A, of the Listing Rules.

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The iMOMA Preschool Lease Agreement and Shangdi MOMA Preschool Lease Agreement provided for a rent free period of three months and 821 days, respectively. Our Directors consider that it would be commercially beneficial to us to have preschools within our properties as part of our comprehensive ancillary facilities for residents at our properties and accordingly, it is necessary for us to offer a rent free period in order to attract Beijing Moma Preschool to operate preschools in our properties.

For the years ended December 31, 2010, 2011 and 2012, the aggregate amounts of the rental fees paid to us in respect of the Leases amounted to approximately RMB0.1 million, RMB0.3 million and RMB0.5 million, respectively. During the Track Record Period, no rental fee was payable to us by Beijing Moma Preschool in respect of Shangdi MOMA Preschool Lease Agreement by reason of the rent free provision.

Each of the iMOMA Preschool Lease Agreement and the Shangdi MOMA Preschool Lease Agreement was entered into prior to the Listing for a period of more than three years. Our Directors noted that preschools generally may not be profitable at the initial period of their operations and, in order to attract the preschools to operate in our properties, it was necessary to offer leases for terms exceeding three years to facilitate the preschools to generate profits over the extensive term. With reference to Listing Rules 14A.35(1), our Directors (including our independent non-executive Directors), DTZ (our independent property valuer) and the Sole Sponsor are of the view that (i) it is a normal business practice for lease arrangements of this nature to have a term exceeding three years; and (ii) such agreements are fair and reasonable in the interest of our Company and our Shareholders as a whole.

On June 14, 2013, First Moma Asset and our Company entered into a master agreement for the leasing of certain properties of our Group to members of the First Moma Asset Group commencing on the Listing Date and ending on December 31, 2015 (the “**Master Lease Agreement**”). It is envisaged that, from time to time and as required, members of our Group will enter into individual lease agreements with members of the First Moma Asset Group, which are expected to set out the detailed terms and provisions of the leases which may include the binding principles, guidelines, terms and conditions in the Master Lease Agreement.

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It is expected that, based on prevailing market rates, the aggregate annual rental fees payable to us under the Master Lease Agreement for the three years ending December 31, 2015 will not exceed RMB2 million, RMB2.1 million and RMB2.3 million, respectively, which have been determined by reference to prevailing market rates. The increase in the estimated annual caps for the three years ending December 31, 2013, 2014 and 2015 as compared to the historical amounts during the Track Record Period have taken into consideration among others (i) the new tenancy agreement in relation to the leasing of certain portion of 3rd floor of Block 8 of Wan Guo Cheng MOMA to Beijing First Estate in March 2013; and (ii) the expected leasing of certain properties of Wan Guo Cheng MOMA (Changsha), Nanchang Mantingchun MOMA and Jiujiang Mantingchun MOMA for the operation of preschool in the respective projects which will commence in the second half of 2013.

DTZ, our independent property valuer, has reviewed each of the Leases, conducted market research on the leasing market in Beijing and collected some rental evidence of comparable properties in the locality as well as similar locations in Beijing. DTZ is of the view that the rental values and the provision of rent free periods (where applicable) under the Leases are fair and reasonable and consistent with the prevailing market levels for properties of a similar status in a similar location as of the Latest Practicable Date.

As each of the assets ratio, revenue ratio and consideration ratio is on an annual basis more than 0.1% but less than 5%, transactions under the Master Lease Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation from Directors

Our Directors (including our independent non-executive Directors) confirmed that the non-exempt continuing connected transactions that are subject to the reporting, annual review and announcement requirements but exempt from our independent Shareholders' approval requirement have been entered into in the ordinary and usual course of business of our Company on normal commercial terms and are fair and reasonable to our Company and in the interests of the Company and the Shareholders as a whole. Our Directors (including our independent non-executive Directors) further confirmed that the proposed annual caps in respect of all the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

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Confirmation from the Sole Sponsor

The Sole Sponsor considers that:

- (i) the above continuing connected transactions have been entered in the ordinary and usual course of business of our Group on normal commercial terms, and are fair and reasonable and in the interest of our Shareholders as a whole; and
- (ii) the annual cap amounts set for the above continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

As the non-exempt continuing connected transactions described above are expected to continue after the Listing, we have applied to the Stock Exchange for a waiver under rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirements (so far as the requirements are applicable) in respect of each of the non-exempt continuing connected transactions of our Company for the respective periods ending December 31, 2015. Further, we will continue to comply with the relevant sections of the Listing Rules in connection with the continuing connected transactions that extended beyond December 31, 2015.

If any of the material terms of the agreements or arrangements referred to above are altered (unless as provided for under the terms of the relevant agreement or arrangement) or if our Company enters into new agreements or arrangement with any connected persons in the future under which the aggregate considerations paid or payable and/or received or receivable by us each year exceed the limits for exempt connected transactions or exempt continuing connected transactions referred to in the Listing Rules, we will comply with the provisions of Chapter 14A of the Listing Rules.