

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued under the Share Option Scheme), indirectly through Haichang BVI and taking into account Shares in the Management Trust, Qu Naijie will own an approximately 55.73% interest in the post offering enlarged issued share capital of our Company and hence will, together with Haichang BVI, continue to be our Controlling Shareholders.

Apart from his interest in our Group, Qu Naijie's associates (the "**Haichang Group**"), are engaged in a diversified business portfolio ranging from trading and transportation of petroleum and related chemical products, operation of a fleet of vessels and oil tankers, wine trading, ecological agriculture to residential and commercial real estate developments.

Save as mentioned above, there is no other person who will, immediately following completion of the Global Offering, be directly or indirectly interested in more than 30% or more of the Shares then in issue.

Upon completion of the Reorganization and in preparation for the Listing, all the theme park related businesses including the development and operation of theme parks, with ancillary commercial properties, will be held by our Group (the "Core Business") with the rest of the businesses retained in the Haichang Group (the "Remaining Group"). As our Group is engaged in and derived all its revenue from the Core Business and does not have any plan to expand its business into areas outside the Core Business, our Directors are of the view that there is no competition between our Core Business and the trading and transportation of petroleum and related chemical products, operation of vessels and oil tankers, wine trading and ecological agriculture business of our Controlling Shareholders due to the differences in the nature of business.

COMPETITION

To continue to expand our Core Business and minimize any potential competition between our Group and our Controlling Shareholders, we entered into the following agreements to acquire certain businesses from the Haichang Group that are in line with our Core Business:

- (i) a share transfer agreement with ORIX China, Haichang Asia HK and Haichang Group Co to acquire 100% equity interests in Dalian Haichang Discoveryland dated September 24, 2013;
- (ii) a share transfer agreement with Haichang Real Estate to acquire 100% equity interests in Chongqing Haichang Caribbean dated September 23, 2013;
- (iii) a share transfer agreement with Haichang Group Co and a share transfer agreement with Dalian Lianyun to acquire 9% and 40% equity interests, respectively, in Dalian 4D-Cinema Co, both dated September 12, 2013; and
- (iv) a series of purchase agreements entered into between Haichang China and Shibo Real Estate, in relation to the purchase of commercial properties located in Dalian Laohutan Fishermen's Wharf.

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THE EXCLUDED BUSINESS

Upon completion of the Reorganization, the Remaining Group, through Haichang Enterprise Development, will retain certain property development business in the PRC. The Remaining Group currently has the following property development projects in the PRC (the “Excluded Business”):

City	Project/Project Company
Dalian	<ul style="list-style-type: none">• Donggang East Montage• Red Flag Valley Eastern Region Villa and Red Flag Valley Western Region Villa – residential property– golf facilities• Dalian Guanglu Island Resort• Dalian Golden Pebble Bordeaux Manor• Lvshun Fishermen’s Wharf• Dalian Luneng Land Co., Ltd.• Dalian Laohutan Shicao Residential Project
Chengdu	<ul style="list-style-type: none">• Chengdu Tianlan Residential Project
Chongqing	<ul style="list-style-type: none">• Chongqing Nanshan Qingshuixi Villa
Tianjin	<ul style="list-style-type: none">• Tianjin Tianlan Residential Development Project Phases 1, 2 and 3• Haichang Center Commercial Building
Wuhan	<ul style="list-style-type: none">• Wuhan Tianlan Residential Project Phases 1, 2 and 3
Boao	<ul style="list-style-type: none">• Hainan Haichang Land Co., Ltd.
Yantai	<ul style="list-style-type: none">• Yantai Haichang Tourism Development Co., Ltd.

REASONS FOR BUSINESS DELINEATION

Over the past decade, Haichang Group has been engaged in diversified businesses. One of its principal businesses has been the development and operation of theme parks with marine and polar attractions in China, with ancillary commercial properties ranging from hotels, shopping and dining areas to serviced apartments. The first theme park of Haichang Group was established in Dalian in 2002.

The business of Haichang Group has been growing rapidly over the past 10 years and today, its theme parks and ancillary commercial property developments cover seven cities and will expand to other locations including Shanghai and Hainan Island.

Over the course of its business development, Haichang Group in some cases was granted commercial and residential land parcels adjacent to the theme parks. Due to the difference in nature of the land parcels in terms of the duration of use, government regulations and development restrictions, Haichang Group had designated the land parcels for different development purposes. For commercial land, it was designated for the development of theme parks and the ancillary commercial properties such as retail shops, restaurants, cinemas, hotels and serviced apartments to support the growth of our theme parks as well as maintain and enhance the number of visitors of our theme parks; while the residential projects were situated on land designated for purely residential use. These two types of land are of different nature under PRC law. Commercial lands are granted with a 40-year land use right, whereas residential lands are granted with a 70-year land use right.

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Haichang Group underwent an internal reorganization in the past few years and our Group was established to continue with the development and operation of theme parks and the ancillary commercial properties for commercial use and development.

Ancillary commercial properties (including retail shops, restaurants, cinemas, hotels and serviced apartments) promote the theme park business as they contribute to the prosperity of the region surrounding the theme parks, promote spending of theme park visitors and encourage them to stay longer in the area by providing a wonderful array of high quality entertainment and integrated experience of leisure, shopping and dining as well as hotel accommodation. With the ancillary commercial properties, our Group is able to provide our visitors with “one-stop shop” travel experience by combining other travel-related services supplied by businesses on the ancillary commercial properties. See “Business – Operation of Ancillary Commercial Properties” for details on the complementary features of the ancillary commercial properties. In addition, the development of theme parks involves a high capital expenditure but the return of the theme park business is realized over years. With the income streams from property sales and rental income from the ancillary commercial properties, our Group can devote such additional sources of funding to the development of the theme parks. The development of ancillary commercial properties nearby the theme parks and the inclusion of such business into our Group is a sound commercial decision. Given the synergy between our theme parks and the ancillary commercial properties and the integrated development approach, our Company believes that it will not be in our Group’s interests to separate the ancillary commercial properties from the theme parks for the purpose of the proposed Listing.

On the other hand, the Excluded Business is entirely different from the businesses of our Group in terms of business nature, financial model and target customers. As explained below, as the Excluded Business does not promote the theme park business nor provide any added value or functions to the theme parks, they are excluded from our Group.

With our Group focusing on the Core Business, the Remaining Group is engaged in different and diversified businesses ranging from trading and transport of petroleum and related chemical products, operation of a fleet of vessels and oil tankers, real estate developments to wine trading and ecological agriculture.

Our Directors believe that the potential competition between the Excluded Business and our business activities is not significant and can be controlled by the measures to be adopted after the Listing including the Deed of Non-Competition. The following table sets out the percentage of interests of Qu Naijie and his associates in each company which form part of the Excluded Business in each province/city where our Group has presence.

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Company	Project	Percentage of Interests of Qu Naijie and his associates in the company
Dalian Oriental Water City Development Co., Ltd.	Donggang East Montage	82.8%
Dalian Red Flag Valley Land Co., Ltd.	Red Flag Valley Eastern Region Villa	82.8%
Dalian Red Flag Valley Golf Club Co., Ltd.	Red Flag Valley Western Region Villa	82.8%
	Golf Facilities	
Dalian Haichang Land Leisure Tourism Co., Ltd.	Dalian Guanglu Island Resort	50.0%
Dalian Haichang Land Red Wine Manor Co., Ltd.	Dalian Golden Pebble Bordeaux Manor	97.9%
Dalian Fishermen's Wharf Development Construction Co., Ltd.	Lvshun Fishermen's Wharf	50.0%
Dalian Luneng Land Co., Ltd.	Dalian Kaifa District Residential Project	20.0%
Dalian Juncheng Real Estate Development Co., Ltd.	Dalian Laohutan Shicao Residential Project	50.0%
Chengdu Haichang Land Co., Ltd.	Chengdu Tianlan Residential Project	82.8%
Chongqing Industrial	Chongqing Nanshan Qingshuixi Villa	82.8%
Tianjin Haichang Real Estate Development Co., Ltd.	Tianjin Tianlan Residential Development Project Phases 1, 2 and 3	82.8%
Tianjin Polar Ocean Land Co., Ltd.	Haichang Center Commercial Building	82.8%
Wuhan Chuangfu Real Estate Development Co., Ltd.	Wuhan Tianlan Residential Project Phases 1, 2 and 3	82.8%
Hainan Haichang Land Co., Ltd	Potential development by Hainan Haichang Land Co., Ltd.	50.0%
Yantai Haichang Tourism Development Co., Ltd.	Potential development by Yantai Haichang Tourism Development Co., Ltd.	100.0%

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Dalian

(1) Donggang East Montage

Donggang East Montage has been developed by the Remaining Group since 2011. It is developed and owned by Dalian Oriental Water City Development Co., Ltd. (大連東方水城發展有限公司) of the Remaining Group. It is expected that the development will be completed in 2015. Donggang East Montage is a European classical architecture styled low-rise commercial complex which comprises office space, high-end retail shops, restaurants and corporate and private clubs. It is situated in Dalian Donggang Business District (大連市東港商務區) alongside office buildings, commercial complexes and residential apartments. It is planned that the commercial properties will be sold. The project aims to attract high-end customers as opposed to tourists or theme park visitors. It does not offer marine or polar animal aquarium attractions, experiences or services of our theme parks, nor does it bear any characteristics of an adventure-themed amusement park. In addition, it is 8 km from Dalian Laohutan Oceanpark and 52 km from Dalian Discoveryland. Unlike the ancillary commercial properties of our theme parks which offer an integrated dining and shopping experience to the tourists, it does not have any complementary features that could promote our theme park business. Hence, it is excluded from our Group.

(2) Red Flag Valley Eastern Region Villa and Red Flag Valley Western Region Villa

The villa projects developed by the Remaining Group in the Red Flag Valley region are purely residential in nature. They are developed and owned by Dalian Red Flag Valley Land Co., Ltd. (大連紅旗谷置業有限公司) and Dalian Red Flag Valley Golf Club Co., Ltd. (大連紅旗谷高爾夫俱樂部有限公司) of the Remaining Group. Red Flag Valley Western Region Villa was completed in 2010 while the development of Red Flag Valley Eastern Region Villa is expected to be completed in 2014. In addition to their locations which are 30 km from Dalian Laohutan Oceanpark and 73 km from Dalian Discoveryland, it is not the intention of our Group to engage in pure residential property development and sale which is unrelated to and unable to provide any synergy to our theme park business. The villa projects do not target tourists or theme park visitors. Hence, the Red Flag Valley Eastern Region Villa and Red Flag Valley Western Region Villa are excluded from our Group.

At the same time, the clubhouse and golf accommodation developed and operating in the Red Flag Valley region are not in line with our Core Business. They do not bear any features of the typical theme parks of our Group and are operated on a private club and exclusive membership model which are not opened for public access. It targets golf-lovers as opposed to tourists or theme park visitors. Therefore, they will not form part of the business of our Group.

(3) Dalian Guanglu Island Resort

Dalian Guanglu Island Resort commenced operation in July 2012 while the residential part is still at planning stage. It is developed and owned by Dalian Haichang Land Leisure Tourism Co., Ltd. (大連海昌置地休閒旅遊渡假有限公司) in which the Remaining Group has an interest. It is a golf and leisure resort with residential property development located in an outlying island on the east coast of Dalian which is 156 km from Dalian Laohutan Oceanpark and 99 km from Dalian Discoveryland. It targets high-end customers as opposed to theme park visitors. It does not offer marine or polar animal aquarium attractions, experiences or services of our theme parks, nor is it able to provide any synergy to our theme parks. Hence, it will not form part of the business of our Group.

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(4) Dalian Golden Pebble Bordeaux Manor

Dalian Golden Pebble Bordeaux Manor is a development of high-end residential properties for sale and was partly completed in 2012. It is 66 km from Dalian Laohutan Oceanpark and 4 km from Dalian Discoveryland. It is developed and owned by Dalian Haichang Land Red Wine Manor Co., Ltd. (大連海昌置地紅酒莊園有限公司), in which the Remaining Group has an interest. As our Group is not engaged in purely residential property development, and the project does not target tourists or theme park visitors, Dalian Golden Pebble Bordeaux Manor is excluded from our Group and will form part of the Excluded Business.

(5) Lvshun Fishermen's Wharf

Lvshun Fishermen's Wharf is a high-end residential project developed by the Remaining Group since 2011 and it is expected to be completed by 2016. It is 44 km from Dalian Laohutan Oceanpark and 102 km from Dalian Discoveryland. It is developed and owned by Dalian Fishermen's Wharf Development Construction Co., Ltd. (大連漁夫碼頭開發建設有限公司) in which the Remaining Group has an interest. It is a residential complex for sale which does not target theme park visitors and thus excluded from our Group as our Group is not engaged in the development of purely residential properties.

(6) Dalian Luneng Land Co., Ltd.* (大連魯能置業有限公司) ("Luneng Project Company")

Luneng Project Company was set up in 2003 and is held by Haichang Group Co. as to 20% and Shandong Luneng Group Co., Ltd.* (山東魯能集團有限公司) as to 80%. It is engaged in a large-scale residential property development in the Kaifa District in Dalian which is 67 km from Dalian Laohutan Oceanpark and 0.7 km from Dalian Discoveryland. It has commenced for sale and targets customers looking for pure residential properties. As our Group is not involved in the development of pure residential properties, Luneng Project Company is excluded from our Group.

(7) Dalian Laohutan Shicao Residential Project

Dalian Laohutan Shicao Residential Project is planned to be a high-end residential project developed by Dalian Juncheng Real Estate Development Co., Ltd.* (大連峻城房地產開發有限公司) ("**Juncheng Company**") in which the Remaining Group has an interest. It is 3 km from Dalian Laohutan Oceanpark and 71 km from Dalian Discoveryland. Currently, Juncheng Company has not obtained any land use right certificate to develop the residential project. As our Group is not engaged in the development of purely residential properties, Juncheng Company is excluded from our Group.

Chengdu

Chengdu Tianlan Residential Project

Chengdu Tianlan Residential Project is developed by the Remaining Group since 2012 and expected to be completed for sale in 2017. It is 15 km from Chengdu Polar Ocean World. It is developed and owned by Chengdu Haichang Land Co., Ltd. (成都海昌置業有限公司) of the Remaining Group. Other than our theme park, Chengdu Polar Ocean World and the ancillary shops and dining facilities, our Group does not have any residential or serviced apartment projects in the city. There is no actual or potential competition between Haichang Group and our Group in Chengdu. As Chengdu Tianlan Residential Project does not target tourists or theme park visitors and our Group is not engaged in purely residential property development, Chengdu Tianlan Residential Project is excluded from our Group.

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Chongqing

Chongqing Nanshan Qingshuixi Villa

Chongqing Nanshan Qingshuixi Villa is a residential project developed by the Remaining Group since 2011. It is less than 1 km from Chongqing Caribbean Water Park. It is developed and owned by Chongqing Industrial of the Remaining Group for sale. Part of Chongqing Nanshan Qingshuixi Villa was completed in 2011 whereas the remaining part is expected to be completed in 2014. Other than Chongqing Caribbean Water Park (the acquisition of which is to be completed after the Listing), and the ancillary shops and dining facilities, our Group does not have any residential or serviced apartment projects in the city. There is no actual or potential competition between Haichang Group and our Group in Chongqing. As Chongqing Nanshan Qingshuixi Villa does not target tourists or theme park visitors and it is not the intention of our Group to engage in residential property development, Chongqing Nanshan Qingshuixi Villa is excluded from our Group.

Tianjin

(1) Tianjin Tianlan Residential Development Project Phases 1, 2 and 3

Tianjin Tianlan Residential Project developed by the Remaining Group is purely residential in nature. It is less than 1 km from Tianjin Polar Ocean World. It is developed and owned by Tianjin Haichang Real Estate Development Co., Ltd. (天津海昌房地產開發有限公司) of the Remaining Group for sale. It is currently under development and Phase 1 of the project will be completed in 2014. It is built on a piece of residential property land, as opposed to the commercial property land where the Tianjin Polar Ocean World and the ancillary commercial properties are situated. Tianjin Tianlan Residential Project is excluded from our Group as it is a purely residential development and does not aim at attracting tourists or theme park visitors.

(2) Haichang Center Commercial Building

The Haichang Center Commercial Building is developed by the Remaining Group since 2009 and is expected to be completed in 2015. It is developed and owned by Tianjin Polar Ocean Land Co., Ltd. (天津極地海洋置業有限公司) of the Remaining Group. It is a block of high-rise commercial building comprising grade A office space, retail shops, accommodation space and other supporting facilities for the office tenants and for sale. It is situated in a prime and newly developed central business district of Tianjin with excellent accessibility, brand new and high-quality furnishing and facilities which aims to support a wide variety of premier office users such as multinational corporations, commercial and financial institutions and banks.

The ancillary commercial properties of our Group in Tianjin target small to medium sized enterprises engaged in the tourism industry or providers of cultural and leisure services with a view to support our theme park, Tianjin Polar Ocean World, while Haichang Center Commercial Building, on the other hand, target corporations and investors distinct from the theme park business. In addition, Haichang Center Commercial Building is a high-rise commercial building separate from the commercial streets and serviced apartments which form the ancillary commercial properties of our theme parks. Notwithstanding that it is only 1.5 km away from the Tianjin Polar Ocean World, in terms of zoning, Haichang Center Commercial Building is situated in a central business district while Tianjin Polar Ocean World and its ancillary commercial properties are situated in a tourism and cultural district. As the target tenants of Haichang Center Commercial Building and our ancillary commercial properties in Tianjin are of different natures, spending patterns and demands, Haichang Center Commercial Building will not be included in our Group.

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Wuhan

Wuhan Tianlan Residential Project Phases 1, 2 and 3

The Wuhan Tianlan Residential Project developed by the Remaining Group is of a pure residential nature and is distinct from the business of our Group. It is less than 1 km from Wuhan Polar Ocean World. It is developed and owned by Wuhan Chuangfu Real Estate Development Co., Ltd. (武漢創富房地產開發有限公司) of the Remaining Group. Phases 1 and 2 of the project have commenced for sale while Phase 3 is expected to be completed in 2016. It is built on a piece of residential property land, as opposed to the commercial property land where the Wuhan Polar Ocean World and the ancillary commercial properties are situated. The Wuhan Tianlan Residential Project is excluded from our Group as it is a purely residential development and does not aim at attracting tourists or theme park visitors.

Boao

Hainan Haichang Land Co., Ltd. (海南海昌置地有限公司) (“Boao Company”)

Dalian Haichang Land Co., Ltd. (大連海昌置地有限公司), a member of the Remaining Group, is interested in Boao Company which was established on May 13, 2010. In 2012, Boao Company obtained several land use rights certificates in Boao Haibin District for the development of theme park and other real estate properties. However, having conducted a preliminary assessment of the area, and having considered the projected visitors flow, Boao Company decided that it was not suitable for theme park development. The construction plan of the theme park is therefore suspended. As Boao Company is currently not engaged and has no intention to engage in any theme park business and does not possess any assets that support the development of a theme park, it is excluded from our Group.

The Controlling Shareholders have granted us an option to acquire Haichang Group’s interest in Boao Company. We will therefore be able to acquire Boao Company in the future if Boao Company develops, operates or participates in any theme park related projects or any other business that might compete with our Core Business after the Listing.

Yantai Haichang Tourism Development Co., Ltd. (煙台海昌旅遊發展有限公司) (“Yantai Development Company”)

Yantai Development Company is established by Haichang Group Co of the Remaining Group with a business focus on real estate development, tourism development and hotel management. However, due to various commercial considerations, the development plan was suspended. Yantai Development Company has not yet obtained any land use right certificate. As Yantai Development Company is currently not engaged in any theme park related business and does not have any concrete plan for future development, it is excluded from our Group.

The Controlling Shareholders have granted us an option to acquire Haichang Group’s interest in Yantai Development Company at any time. We will be able to acquire Yantai Development Company if it develops, operates or participates in any business that might compete with our Core Business after the Listing.

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POTENTIAL COMPETITION

Among the many ancillary commercial property projects developed by our Group across the seven provinces/cities in the PRC, the potential business competition only represents a small component and is only limited to the serviced apartments comprised in the ancillary commercial properties in Tianjin and Wuhan. While the serviced apartments of our Group and the residential properties of the Remaining Group in Tianjin and Wuhan are both available for sale, having taken into consideration the following factors, our Directors believe that the perceived potential competition should not be significant.

(1) Potential Business Competition is Immaterial

(i) Differentiating Features between Serviced Apartments and Residential Properties

Serviced apartments are categorized as commercial properties in PRC and are different from residential properties in the following material aspects.

(a) Nature of land and term of land use right and property ownership rights

The serviced apartments developed by our Group are situated on “commercial land” while the residential properties developed by the Remaining Group are situated on “residential land.” Under PRC law, “commercial land” can only be used to develop “commercial properties” and is granted with a 40-year term of land use right. In contrast, “residential land” can only be used to develop “residential properties” and is granted with a 70-year term of land use right. The nature of the land and the property, as well as the term of the land use right are reflected in the property ownership right certificates issued to the owner of serviced apartments.

(b) Regulatory regime and mortgage policies

Corresponding to the PRC Government’s effort to control the soaring price of residential properties in recent years, PRC law and regulations are more stringent in the sale and purchase of residential properties while the sale and purchase of commercial properties is less regulated. For instance, PRC law and regulations at national and regional levels restrict the number of residential properties that can be purchased by an individual investor whereas there are no such restrictions on the purchase of commercial properties.

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Different policies also apply to mortgages for residential and commercial properties, such as the time when a loan can be drawn down, down-payment percentage and term of mortgage. The table below sets out a brief summary of these differences.

<u>Type of property</u>	<u>Down-payment percentage</u>	<u>Term of mortgage</u>	<u>Time when a loan can be drawn down</u>
Commercial property.	Not less than 50% of purchase price	Not exceeding 10 years	Only upon completion of construction of the property
Residential property	<ul style="list-style-type: none"> • 1st unit – with construction area of more than 90 sq.m., not less than 30% of purchase price • 2nd unit – not less than 60% of purchase price 	Can be as long as 25 – 30 years	Completion of construction of property is not a pre-requisite for being eligible to draw down the loan. A loan can be drawn down after (1) pre-sale permit is obtained for the property; (2) the sale and purchase agreement (of a property the construction of which is yet to be completed) is signed; and (3) the down-payment is made.

(c) Services, property price and costs of living

The customers of the serviced apartments usually expect premium quality of property management services. Also, due to the higher renovation costs invested in the serviced apartments, the price of the serviced apartments is usually expected to be 10% to 20% higher (on a per sq.m. basis) than the residential units of similar sizes, accessibility, and building quality.

To further highlight the differentiation, the costs of water supply, electricity and heat are substantially higher in commercial districts than those in residential areas in Tianjin. Compared to the rates applicable to residential properties, the cost of water supply for serviced apartments is generally 60% higher, the cost of electricity is generally 60% – 65% higher and the cost of heat is generally 44% higher. Coupled with the higher price of serviced apartments as mentioned above, the living expenses of residents of serviced apartments are expected to be much higher than those of the residents of the residential properties.

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(d) Different real estate products appealing to different customers

Based on the differences highlighted above, our Company believes that the serviced apartments sold by our Group and the residential properties sold by the Remaining Group in Tianjin and Wuhan appeal to different customers and therefore the two products are not in direct or material competition with each other.

The serviced apartments form an integral part of our theme park project development. While our Group has planned to use theme parks as a marketing tool for the promotion of the sale of serviced apartments and ancillary commercial properties (for example, by offering reduced admission price or other discounts to owners of serviced apartments or other ancillary commercial properties), the Remaining Group did not and will not use our theme parks for the promotion of its residential properties. With the different marketing strategies, serviced apartments are more likely to attract buyers or tenants who are looking for a relaxing and leisurely lifestyle and investors who are looking for long-term capital gain; on the other hand, pure residential developments are more likely to appeal to buyers with families.

(ii) Sales Schedules

As a business strategy, our Group will generally adopt a different sales schedule for its projects from the one adopted by the Remaining Group in the same region. Given the time gap between the schedules adopted by our Group and the Remaining Group for the sales of their respective projects in Wuhan and Tianjin, and that any potential competition will diminish upon either the completion of sale of the serviced apartments by our Group, or the completion of sale of residential properties by the Remaining Group, there is no direct competition between the serviced apartments in our Group and the residential properties in Wuhan and Tianjin. Notwithstanding the above, the Deed of Non-Competition, as set out in detail below, also adopts additional mechanisms to prevent the sales of the projects of the Remaining Group from clashing the timetable of our Group to further mitigate any potential impact it may have on our business.

(iii) Contribution to the Total Turnover of our Group

It is expected that the revenue attributable to the sale of serviced apartments will only account for less than 15% of our Group's total turnover for the next three years. Therefore, notwithstanding the potential business competition between the serviced apartments in our Group and the residential properties in the Remaining Group, the scale of competition in terms of financial contribution to the our Group is small.

In view of the above factors, our Company and the Joint Sponsors believe that there exists adequate product differentiation and market segmentation to delineate the serviced apartments sold by our Group and residential properties sold by the Remaining Group, and there should not be any direct competition between our Group and the Remaining Group. In future, if our Group is to develop serviced apartments, consistent with the existing delineation principle, it will only develop serviced apartments on commercial land.

Our Company and the Joint Sponsors believe that even if there is potential business competition between the serviced apartments in our Group and the residential units in the Remaining Group, it is limited to geographical locations (i.e. only the selected phases of the Tianjin and Wuhan projects) and the monetary value in terms of financial contribution to our Group as a whole is small.

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Also, certain rights granted by the Remaining Group to our Group under the Deed of Non-competition may serve to mitigate competition between the Remaining Group and us. In order to further protect the interests of our Shareholders, the Remaining Group has also given certain undertakings in favor of our Group under the Deed of Non-competition.

(2) Comparison between our Group and the Excluded Business

As of December 31, 2013, the total GFA of our theme parks and the Additional Theme Parks and their respective ancillary commercial properties was 652,512 sq.m., while the total GFA of the projects in the Excluded Business was 4,869,138 sq.m¹.

However, in terms of revenue for the year ended December 31, 2012, assuming the Additional Theme Parks has been acquired by us on January 1, 2012, our Group's revenue on a pro forma basis would have amounted to approximately RMB1,112.9 million, 56% higher than that of the companies in the Excluded Business, which was approximately RMB709.6 million.^{2,3}

DIRECTORS' COMPETING INTERESTS

Other than the above interests of Qu Naijie outside of our Group and the dual directorship of Wang Xuguang and Qu Naijie in the Remaining Group as further discussed below, our Directors have confirmed that none of them is interested in any business which competes, or is likely to compete directly or indirectly with our business as of the Latest Practicable Date.

DEED OF NON-COMPETITION

To mitigate any potential conflict of interest between our Group and our Controlling Shareholders, each of our Controlling Shareholders, being Qu Naijie and Haichang BVI, have entered into a Deed of Non-competition (the "Deed of Non-competition") in favor of our Company pursuant to which our Controlling Shareholders have irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company that, during the effective period of the Deed of Non-competition (as defined below), they will not, and will procure their subsidiaries and associates not to, as a principal or agent, and whether on his/its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except through our Group), directly or indirectly develop, operate, participate or otherwise hold any right or interest in theme park related projects in the PRC which compete or may compete, directly or indirectly, with that of our Group (save for the holding of any shares in any company listed on a recognized stock exchange of less than 10% of such listed company's issued share capital and not being the single largest shareholder of such listed company).

Notes:

- 1 The GFA of each project in the Excluded Business was obtained from third parties and has not been verified by any independent property valuer. Such information is presented in this section for reference only. Although reasonable inquiries and care have been exercised by the Company, the absolute accuracy could not be guaranteed.
- 2 The financial information of each company in the Excluded Business is extracted from the financial statements of the relevant company, which are prepared in accordance with the PRC general accepted accounting principles and audited by their respective PRC auditors. No audited financial statements were prepared for Tianjin Haichang Real Estate Development Co., Ltd and Tianjin Polar Ocean Land Co., Ltd, the financial information of which is extracted from the management accounts of such companies. The financial information is presented for reference only.
- 3 This represents a sum of the total revenue of each project company in the Excluded Business. See section "Relationship with our Controlling Shareholders – Reasons for Business Delineation" for the percentage of interests of Qu Naijie and his associates in each project company.

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Further Undertakings in relation to the development of properties

In any city or region where our Group has developed any business operations or holds any business interests, our Controlling Shareholders will procure that any opportunity to develop, operate, participate and/or otherwise hold any right or interest in any business relating to any properties (the “New Opportunity”) identified by or offered to our Controlling Shareholders or their subsidiaries or associates is first referred to the Group in the following manner.

- (a) Our Controlling Shareholders are required to, and shall procure their subsidiaries and associates to, refer, or to procure the referral of, the New Opportunity to our Group and notify our Group in writing with all relevant information about the New Opportunity immediately upon becoming aware of the New Opportunity (“Offer Notice”). They are also obliged to use their best efforts to procure that such opportunity is first offered to us on terms and conditions that are fair and reasonable.
- (b) After receipt of the Offer Notice, a committee of our Board consisting exclusively of independent non-executive Directors (“Independent Board Committee”) shall consider the New Opportunity. When considering whether or not to pursue a New Opportunity, the Independent Board Committee will consider, among others, the following factors: the valuation and performance of the relevant business, the compatibility of the strategy of the relevant business with that of our Company, the estimated profitability, the prevailing markets conditions, the available resources of our Company and other options available to our Company to pursue similar businesses or establish similar businesses. The Independent Board Committee will also consider whether the New Opportunity, if developed by our Controlling Shareholders, would create competition with our Group. Relevant factors include the scale of the development of the New Opportunity, the proximity and distance from the commercial properties of our Group and the nature of the development. The Independent Board Committee may appoint an independent financial advisor or other professional advisors at our Company’s cost to advise it in respect of the New Opportunity and the pricing of the New Opportunity. Our Controlling Shareholders shall and shall procure their subsidiaries or associates to provide all information reasonably required by Independent Board Committee, independent financial advisor and/or other professional advisors to assist them in their assessment. If the Independent Board Committee considers that the pricing of the relevant business is fair and reasonable compared to the valuation and the estimated profitability of the business and the market price of comparable opportunities, the strategy and development of the relevant business is compatible with that of our Group, our Group has adequate resources to purchase, develop and manage the relevant business, and is of the view that the pursuit of the New Opportunity is in the best interests of our Group, the Independent Board Committee will consent to the pursuit of the New Opportunity by our Group. The Independent Board Committee shall have 60 days (“60 days period”) from the date of the Offer Notice to consider whether the New Opportunity should be pursued. Should the Independent Board Committee decide to accept the New Opportunity, it shall notify our Controlling Shareholders in writing. Upon receiving the written notification of acceptance, our Controlling Shareholders or their subsidiaries or associates are obliged to transfer the New Opportunity to our Company upon terms that are fair and reasonable.

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- (c) If the Independent Board Committee considers that the New Opportunity, if pursued by the Controlling Shareholders or their subsidiaries or associates, would constitute potential competition, directly or indirectly, with the business of our Group, it has the power to veto the pursuit of the New Opportunity by the Controlling Shareholders or their subsidiaries or associates and if it decides to exercise such veto power, it shall notify our Controlling Shareholders in writing within the 60 days period.
- (d) The Independent Board Committee may consent to the pursuit of the New Opportunity by the Controlling Shareholders if it is satisfied that the New Opportunity would not constitute potential competition with the business of our Group. In assessing whether there might be potential competition, the Independent Board Committee would consider a number of factors such as the scale of development of the New Opportunity, the proximity and distance from the existing and future development of commercial properties of our Group, the nature of development and whether there will be any overlap of target customers. The Independent Board Committee may appoint an independent financial advisor or other professional advisors at our Company's cost to advise it in respect of the New Opportunity and the pricing of the New Opportunity. Our Controlling Shareholders shall and shall procure their subsidiaries or associates to provide all information reasonably required by the Independent Board Committee, independent financial advisor and/or other professional advisors to assist them in the assessment. If the Independent Board Committee considers that: (i) all material information for the assessment has been provided by the Controlling Shareholders; and (ii) the pursuit of the New Opportunity will not be in line with the interest of our Group, having considered the nature, scale, pricing and valuation of the New Opportunity and our Group's resources, and if it is satisfied that the New Opportunity, if developed by the Controlling Shareholders, would not constitute potential competition with the business of our Group or with the future development of our Group, then it may consent to the pursuit of the New Opportunity by the Controlling Shareholders. The Independent Board Committee will then have the power to impose conditions and restrictions on the development of the properties by our Controlling Shareholders, such as the scale of development and the proximity from our Group's existing and future ancillary commercial properties, in order to prevent any form of potential competition. The Independent Board Committee shall notify our Controlling Shareholders its decision within the 60 days period.
- (e) If, within the 60 days period, our Company does not reply to our Controlling Shareholders pursuant to (a), (b) or (c) above, our Controlling Shareholders or their subsidiaries or associates are entitled to pursue the New Opportunity by themselves on terms no more favorable than the terms offered to our Company but our Controlling shareholders cannot transfer the New Opportunity to any independent third parties. If there is a material change in the terms and conditions of the New Opportunity referred to or procured to be referred to by our Controlling Shareholders, our Controlling Shareholders will refer the New Opportunity as so revised to our Company in the manner as set out above.

The powers of the Independent Board Committee and measures above have been incorporated in the terms of reference of the Independent Board Committee. We will disclose the consideration and conclusion of the Independent Board Committee in relation to (b) – (d) above in our annual reports or interim reports.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further Undertakings relating to the Sale Schedules of Residential Properties

In any city or region where our Group has developed any serviced apartment projects for sale, our Controlling Shareholders have undertaken that, in the event that they or their subsidiaries or associates have plans to launch the sale of any residential projects in the same city or region (“Sale of Residential Properties”), our Controlling Shareholders shall and shall procure their subsidiaries or associates to notify our Group in writing with detailed sale terms and all relevant information (“Sale Notice”). Upon receipt of the Sale Notice, the Independent Board Committee shall have 60 days since the date of the Sale Notice (“Notice Period”) to consider whether the proposed sale will compete or likely compete, directly or indirectly, with the sale schedule of any projects of our Group. Our Controlling Shareholders have further undertaken that the Independent Board Committee shall have the power to veto the Sale of Residential Properties and if it decides to exercise its veto power, it shall notify our Controlling Shareholders in writing during the Notice Period. If the Independent Board Committee does not use its veto over the Sale of Residential Properties or does not send any written notice to our Controlling Shareholders during the Notice Period, our Controlling Shareholders are entitled to launch the Sale of Residential Properties in accordance with the terms and conditions as stipulated in the Sale Notice. We will disclose the relevant consideration and conclusion of the Independent Board Committee in our annual reports or interim reports.

If our Group decides to launch its sale of serviced apartment projects in the relevant city or region, our Group has undertaken that it will notify our Controlling Shareholders in writing within the Notice Period and in which case, our Controlling Shareholders or their subsidiaries or associates can only launch the Sale of Residential Properties after a time gap of six months (“Time Gap”) from the date our Group launches its sale of serviced apartment projects in the same city or region. The Independent Board Committee has the power to extend the Time Gap if it considers, on a case-by-case basis, that a longer period of time is necessary in order to ensure that the Group has enough time to complete the sale of a significant portion of the serviced apartments before our Controlling Shareholders or their subsidiaries or associates launch the Sale of Residential Properties. If it decides to extend the Time Gap, it shall notify our Controlling Shareholders in writing during the Notice Period. In determining the length of the Time Gap, the Independent Board Committee will consider a number of factors such as the scale of the project, the then demand and supply of similar types of properties in the region and market conditions, etc and has the absolute discretion in getting the appropriate timeframe. We will disclose the consideration and conclusion of the Independent Board Committee in relation to the Time Gap in our annual reports or interim reports.

The Deed of Non-competition will remain in full force and be terminated when our Controlling Shareholders and their subsidiaries beneficially hold less than 30% of our issued share capital and no longer holding controlling power over our Company, or our Controlling Shareholders are no longer our controlling shareholders as stipulated under Rule 1.01 of the Listing Rules.

OPTION TO PURCHASE AND/OR OPERATE AND MANAGE EXCLUDED BUSINESS

During the term of the Deed of Non-competition, pursuant to relevant laws and regulations, our Group will be entitled to (1) an option to purchase any equity interests, assets or other interests which forms part of the Excluded Business or any new business developed, operated or owned by the Controlling Shareholders or their subsidiaries or associates and/or (2) the exclusive right to operate and manage such business in the event that the Independent Board Committee considers that such part of the Excluded Business or the new business constitutes competition with the Group. In such event, our Group will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

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The Independent Board Committee will be responsible for reviewing, considering and deciding whether or not to exercise the option to purchase and/or operate and manage Excluded Business or the new business. The Independent Board Committee will consider, among others, the following factors: the valuation and performance of the relevant business, the compatibility of the strategy of the relevant business with that of our Company, the estimated profitability, the prevailing markets conditions, the available resources of our Company and other options available to our Company to pursue similar businesses from third parties or establish similar businesses. The Independent Board Committee will also consider the extent of competition between the relevant business and that of our Group. Relevant factors include the scale of the development of the relevant business, the proximity and distance from the commercial properties of our Group and the nature of the development. The pricing of the relevant business shall be determined with reference to the valuation by a third-party valuer jointly selected by our Controlling Shareholders and our Group. Our Controlling Shareholders shall and shall procure their subsidiaries or associates to provide all information reasonably required by Independent Board Committee and the third-party valuer for assessment.

If the Independent Board Committee considers that the pricing of the relevant business is fair and reasonable compared to the valuation and the estimated profitability of the business and market price of comparable opportunities, the strategy and development of the relevant business is compatible with that of our Group, our Group has adequate resources to purchase, develop and/or manage the relevant business, and is of the view that the pursuit of the relevant business is in the best interests of our Group, the Independent Board Committee will let our Group exercise the option to pursue the business.

Should the Independent Board Committee decide to exercise the option, it will have the power to impose conditions and/or restrictions on the development of such business by the Group, such as the function, scale and design of the project. The purpose of the conditions and/or restrictions is to ensure that the exercise of such option is in line with the Group's business strategy and business model, which is the development of theme parks together with ancillary commercial properties as integrated tourism and leisure projects.

The option to purchase and/or operate and manage Excluded Business and the power to impose conditions and/or restrictions on the Group have been incorporated in the terms of reference of the Independent Board Committee. We will disclose the consideration and conclusion of the Independent Board Committee to exercise or not to exercise such option in our annual reports or interim reports.

Each of the Controlling Shareholders has jointly and severally undertaken to indemnify and keep indemnified the Group against any damage, loss or liability suffered by the Company or any other member of the Group arising out of or in connection with any breach of its undertakings and/or obligations under the Deed of Non-Competition, including any costs and expenses incurred as a result of such breach provided that such indemnity shall be without prejudice to any other rights and remedies the Company is entitled to in relation to any such breach, including specific performance.

Should a Controlling Shareholder breach any clauses under the Deed of Non-Competition, one of the available options to the Company would be to initiate legal proceedings against such Controlling Shareholder for damages or indemnity should it consider it is in the best interest of the Group.

EXPERIENCE AND QUALIFICATIONS OF THE INDEPENDENT BOARD COMMITTEE

Each of the independent non-executive Directors has the relevant experience and qualifications that make them suitable to discharge their roles of monitoring potential competition between the Group and the Remaining Group.

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Fang Hongxing (“Professor Fang”) is currently an independent non-executive Director of Neusoft Corporation (Stock Code 600718.SH) (a company listed on the Shanghai Stock Exchange), Shenyang Machine Tool Co., Ltd (Stock Code: 000410.SZ) and Zhangzi Island Corporation (Stock Code: 002069. SZ) (both companies listed on the Shenzhen Stock Exchange). Professor Fang has extensive experience in accounting, auditing and internal control. He passed the PRC CPA Uniform Examination held by the Chinese Institute of Certified Public Accountants and has a PhD in accounting at Dongbei University of Finance and Economics. Professor Fang can use his experience and qualification to assess whether the Group has sufficient resources to take up a New Opportunity or exercise an option granted by the Remaining Group, and provide valuable opinion on market conditions.

Wei Xiaolan has extensive experience in tourism economics, policy and planning and took up several senior positions at CNTA such as a director in the planning and development division and the finance division. He also served as the director of the academic committee of the China Tourism Academy* (中國旅遊研究院). In December 2009, he was appointed as the secretary general of the China Tourism Leisure Association* (中國旅遊協會休閒渡假分會). He is also a researcher at the tourism research center of the Chinese Academy of Social Sciences* (中國社會科學院), the director of the National Technical Committee on Leisure of Standardization Administration* (全國休閒標準化技術委員會), the director of the expert committee of the World Tourism Cities Federation* (世界旅遊城市聯合會) and the vice president of the Beijing Tourism Society* (北京旅遊學會).

Wei Xiaolan has primarily been involved in the research on tourism development in China and tourism economics. He is teaching as a professor at various universities, such as Peking University* (北京大學) and Sun Yat-Sen University* (中山大學) in the PRC. Furthermore, he is a tourism consultant for a number of provincial governments in the PRC. Wei Xiaolan’s extensive experience and knowledge in tourism economics, policy and planning will enable him to evaluate whether the pursuit of the New Opportunity is in the best interest of our Group and provide insight to the Independent Board Committee when it is to consider whether or not our Company should exercise the option to purchase and/or operate and manage Excluded Business or any new business.

Sun Jianyi has a diploma in finance at Zhongnan University of Economics and Law and was recognized as an advanced economist by the Guangdong Province Advanced Job Title Evaluation Committee. Although Sun Jianyi does not have any experience as an independent non-executive director, he is a vice-chairman of the board and executive director of Ping An Insurance (Group) Company of China, Ltd (Stock Code: 2318.HK and 601318.SH), a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. He can share his experience in business management and his knowledge in finance with the Independent Board Committee.

The Company considers that the Independent Board Committee has a balance of skills and experience and the composition of the Independent Board Committee can provide diversified perspectives in order for the independent non-executive Directors to analyze potential competition in a finance, business and tourism context, which are relevant to the Group’s business.

See “Directors, Senior management and Employees – Independent Non-Executive Directors.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company.

- (a) where any Director is also a director or member of the senior management of the Remaining Group, such director will abstain from participation and voting in any board meeting or part thereof when matters between the Group and the Remaining Group are discussed, unless his or her attendance is expressly requested by a majority of the independent non-executive Directors or except in certain prescribed circumstances where such Director's or his or her associates' interest in such matters discussed would not cause any conflict of interests between our Group and the Remaining Group.
- (b) The Independent Board Committee will, on an annual basis, review the compliance and enforcement of the Deed of Non-competition by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure their subsidiaries and associates to provide all information reasonably required by the Independent Board Committee to assist them in the assessment. Our Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-Competition and other connected transaction agreements in our annual report.
- (c) the Independent Board Committee will also review, on an annual basis, all decisions made in relation to any New Opportunity offered and any Sale of Residential Properties proposed during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public.
- (d) Our Company will appoint a compliance advisor who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws.
- (e) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Remaining Group after the Global Offering.

Management Independence

Our Group is able to, and will be capable of, operating its business independently from the Remaining Group.

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. For more information, see "Directors, Senior Management and Employees."

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Upon Listing, Wang Xuguang, our executive Director, and Qu Naijie, our non-executive Director, will continue to hold certain positions in the Remaining Group. The table below shows the positions that our Directors will hold in the Remaining Group upon Listing:

Company	Executive Directors and Non-executive Directors					
	Wang Xuguang	Zhao Wenjing	Qu Naiqiang	Qu Naijie	Makoto Inoue	Yuan Bing
<i>Excluded Business</i>						
Dalian Oriental Water City Development Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Dalian Red Flag Valley Land Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Dalian Red Flag Valley Golf Club Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Dalian Haichang Land Leisure Tourism Co., Ltd.	director	N/A	N/A	director	N/A	N/A
Dalian Haichang Land Red Wine Manor Co., Ltd.	N/A	N/A	N/A	director	N/A	N/A
Dalian Fishermen's Wharf Development Construction Co., Ltd.	N/A	N/A	N/A	director	N/A	N/A
Dalian Luneng Land Co., Ltd.	director	N/A	N/A	N/A	N/A	N/A
Dalian Juncheng Real Estate Development Co., Ltd.	N/A	N/A	N/A	director	N/A	N/A
Chengdu Haichang Land Co., Ltd.	N/A	N/A	N/A	legal representative and executive director	N/A	N/A
Chongqing Industrial	N/A	N/A	N/A	legal representative and executive director	N/A	N/A
Tianjin Haichang Real Estate Development Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Tianjin Polar Ocean Land Co., Ltd.	N/A	N/A	N/A	legal representative and executive director	N/A	N/A

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Company	Executive Directors and Non-executive Directors					
	Wang Xuguang	Zhao Wenjing	Qu Naiqiang	Qu Naijie	Makoto Inoue	Yuan Bing
Excluded Business (Cont'd)						
Wuhan Chuangfu Real Estate Development Co., Ltd.	N/A	N/A	N/A	legal representative and executive director	N/A	N/A
Hainan Haichang Land Co., Ltd	N/A	N/A	N/A	legal representative and chairman of the board	N/A	N/A
Yantai Haichang Tourism Development Co., Ltd.	N/A	N/A	N/A	legal representative and executive director	N/A	N/A
Other companies in the Remaining Group						
Haichang Group Co	non-executive director	N/A	N/A	executive director/ president	N/A	N/A
Haichang Enterprise Development	non-executive director and general manager	N/A	N/A	executive director	N/A	N/A
Real estate development related business (20 companies in the PRC)	hold the position of director/chairman in six companies and the position of general manager in two companies	N/A	N/A	hold the position of director/ chairman in five companies	N/A	N/A
Shipping related business (six companies in the PRC)	hold the position of director/chairman in three companies and the position of manager in one company	N/A	N/A	hold the position of director/ chairman in two companies	N/A	N/A
Ecological agriculture related business (five companies in the PRC)	N/A	N/A	N/A	hold the position of director in one company	N/A	N/A

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Company	Executive Directors and Non-executive Directors					
	Wang Xuguang	Zhao Wenjing	Qu Naiqiang	Qu Naijie	Makoto Inoue	Yuan Bing
Other companies in the Remaining Group (Cont'd)						
Wine trading related business (two companies in the PRC)	hold the position of legal representative and executive director in one company	N/A	N/A	N/A	N/A	N/A
Other companies which Haichang Group Co has an equity interest in (seven companies in the PRC)	hold the position of legal representative and executive director in one company	N/A	N/A	hold the position of director/ chairman in three companies and the position of general manager in one company	N/A	N/A
Other investment companies (three companies in the PRC)	N/A	N/A	N/A	N/A	N/A	N/A

Apart from the above positions held by Wang Xuguang and Qu Naijie in the Remaining Group, none of the other Directors or members of the senior management of our Company will hold any role in the Remaining Group upon Listing.

Our Company believes that the two Directors' overlapping roles in the Remaining Group will not affect the discharge of their duties as our Directors given their fiduciary duties, which require that they act for our Company's best interests. Our Company also believes that the Directors and senior management of our Company will be able to perform their roles in our Company independently and our Company will be capable of managing its business independently of the Remaining Group after listing because:

- (a) it is provided in the articles of associations of our Company and the terms of reference of the relevant board committees, that in the event of a conflict of interests, such as consideration of potential transactions with the Remaining Group, the relevant director who is connected with the Remaining Group shall abstain from voting and not be counted in the quorum. Further, when considering connected transactions, the independent non-executive directors will review the relevant transactions;
- (b) the two directors with an overlapping roles are not responsible for the day-to-day management and operations but the overall strategic planning and business direction of our Group;
- (c) the day-to-day operations and administration of our Group will be managed by the members of the senior management, none of whom holds any position in the Remaining Group upon the Listing and all of them will devote 100% of their time in the management of our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) all the executive Directors possess relevant industry experience. In the event that any of the overlapping Directors has to abstain from voting, the remaining eight board members will be able to function effectively and protect the interests of our Company and the shareholders as a whole.

Based on the above, our Directors are of the view that it will be capable of managing conflicts of interests of the overlapping directors and maintaining management independence from the Remaining Group.

Financial Independence

Our Group will have our own accounts and finance departments responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Remaining Group.

Our Directors confirmed that all related parties loans provided by the Remaining Group will be fully repaid and/or settled prior to the Listing. The Directors further confirmed that all securities and guarantees provided by the Remaining Group on the Group's borrowings will also be fully released prior to the Listing. The Company has obtained confirmations from the relevant banks that the assets previously provided by the Remaining Group as securities and guarantees for the Group's borrowings have been replaced with the assets of the Group.

The Company has in March 2013 obtained a loan in the sum of RMB200 million from Sichuan Trust Co., Ltd., (四川信託有限公司), for a term of 6 years using solely the Group's assets as security independently without any help or involvement of the Remaining Group. Moreover, Haichang China has obtained a written certification from the Dalian Branch of China Construction Bank on November 7, 2013 which confirmed that, having reviewed the financial condition of Haichang China, it will offer loan facilities to Haichang China without any securities or guarantees provided by the Remaining Group.

All of the above demonstrate that the Company will be able to obtain loans or financing independently from third-parties without relying on any guarantee or security to be provided by the Remaining Group after listing. Accordingly, our Directors are of the view that our Group will be able to be financially independent from the Remaining Group.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, our own business operations independently. Our Group holds the licenses necessary to carry on our business, and has sufficient capital, facilities and employees to operate the business independently from the Controlling Shareholders.

For sources of suppliers and customers, our Group has access to third-parties independently from and not connected to the Controlling Shareholders. Our Group has also adopted a set of corporate governance procedures to maintain effective and independent operation of our business.

As disclosed in the section "Connected Transactions," we provide project management services and lease office premises to Haichang Enterprise Development for an additional source of income. As these transactions are not the major sources of income for our Group, our Directors consider that these continuing connected transactions do not have any negative impact on our operational independence from the Controlling Shareholders.