

CONNECTED TRANSACTIONS

OVERVIEW

Continuing Connected Transactions

Our Group, through Haichang China, has entered into certain transactions with Haichang Enterprise Development, a connected person of our Company, and the transactions are expected to continue on a continuing or recurring basis after the Listing, thereby constituting continuing connected transactions of our Company under the Listing Rules. These transactions are entered into in the ordinary course of business and on normal commercial terms. Set out below is a summary of the continuing connected transactions that are expected to continue after the Listing.

Type of Transaction	Parties	Term	Applicable Listing Rules	Waiver Sought
Lease	<ul style="list-style-type: none"> • Haichang China, as landlord • Haichang Enterprise Development, as tenant 	From June 1, 2013 to December 31, 2013 and from January 1, 2014 to December 31, 2015	Rule 14A.34	Announcement requirement
Project management . . .	<ul style="list-style-type: none"> • Haichang China, as service provider • Haichang Enterprise Development, as service recipient 	From the Listing Date to December 31, 2015	Rule 14A.34	Announcement requirement

CONNECTED PERSON

As of the Latest Practicable Date, Qu Naijie, our Controlling Shareholder and our Director, together with his associates, held in aggregate 82.8% of the equity interests of Haichang Enterprise Development indirectly. As such, Haichang Enterprise Development is an associate of Qu Naijie and a connected person of our Company for the purpose of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Lease with Haichang Enterprise Development

On September 27, 2013, Haichang China, as landlord, entered into a lease with Haichang Enterprise Development, as tenant, under which Haichang China agreed to lease to Haichang Enterprise Development premises for office use for a term of seven months from June 1, 2013 to December 31, 2013 with a monthly rent of approximately RMB382,000.

CONNECTED TRANSACTIONS

Our Group continued to lease the premises to Haichang Enterprise Development under a new lease (the “Lease”) pursuant to which Haichang China will lease the same premises to Haichang Enterprise Development for a term of two years from January 1, 2014 to December 31, 2015. Our Directors considered that the continuation of the Lease is beneficial to our Company and our Shareholders as a whole as Haichang China can utilize its excess office space to create an additional source of income for our Group. The major terms of the Lease are listed below:

<u>Date of Agreement</u>	<u>Tenant</u>	<u>Location</u>	<u>Size (sq.m)</u>	<u>Payment schedule</u>	<u>Rent per annum (RMB)</u>
January 24, 2014	Haichang Enterprise Development	Zhongshan district, Dalian	6,365.07	Quarterly	4,800,000

The monthly rent under the Lease is in an amount of RMB400,000 and was determined after Haichang China had consulted the Property Valuer on the prevailing market rent. The proposed annual caps for the Lease for each of the three years ending December 31, 2013, 2014 and 2015 are RMB2,800,000, RMB4,800,000 and RMB4,800,000 respectively. Our Directors confirm that the annual caps are determined on normal commercial terms and are fair and reasonable and with reference to the prevailing market rent of similar premises in the proximity.

Property Valuer’s views

The Property Valuer has confirmed that taking into account the prevailing market condition and the terms of the lease dated September 27, 2013 and the Lease, the rents receivable by our Group under the lease dated September 27, 2013 and the Lease represent the market rent of the respective periods and the terms of the lease dated September 27, 2013 and the Lease are fair, reasonable and on normal commercial terms.

Project Management Framework Agreement

As one of the principal businesses of our Group is the development and construction of theme parks and ancillary commercial properties, our Group has developed significant experience throughout the years and has retained our own design, building and construction team to carry out project management, landscaping, planning and construction work for our new theme park and ancillary commercial property projects.

In order to streamline the design, building and construction team structure and to relieve itself from the potential burden of maintaining a large team for project management and project supervision, Haichang Enterprise Development does not retain its own project management team and instead, has been relying on our Group from time to time to design, build and manage its building and construction projects. As such, Haichang Enterprise Development and Haichang China entered into a project management framework agreement (the “Project Management Framework Agreement”) on January 24, 2014, pursuant to which our Group will provide project management and quality control services for the real estate projects of Haichang Enterprise Development in China for a term of a period from the Listing Date to December 31, 2015. Pursuant to the Project Management Framework Agreement, a specific agreement will be signed for each project with specific service terms. The fees payable to our Group for each project will be negotiated on an arm’s length basis. Our Directors considered that this transaction is beneficial to our Group and Shareholders as a whole as it can generate an additional income stream for our Group.

CONNECTED TRANSACTIONS

In determining the proposed annual caps for the service fee charged by our Group, our Directors have considered, including but not limited to, (i) guidelines (《湖北省工程建設其他費用定額》) issued by local government of Hubei (the “Guidelines”); (ii) the estimated construction contract sum of the projects; and (iii) the future development schedule of Haichang Enterprise Development for the two years ending December 31, 2014 and 2015.

The Guidelines set out the rate of service fee for project management and construction work recommended by the local government of Hubei for similar type of contracts, which is a fixed percentage inversely proportional to the estimated construction contract sum to be incurred by the property developer in the relevant project. According to the Guidelines, the recommended rate of service fee for a project with estimated construction contract sum of RMB50 million – 100 million (highest prescribed category) is 1%. Since the estimated construction contract sum of the projects in each year ending December 31, 2014 and 2015 under the Project Management Framework Agreement is higher than RMB100 million, the service fee is calculated based upon 1% of the estimated construction contract sum.

The estimated construction contract sum for the relevant period is based on the projected development schedule of Haichang Enterprise Development, taking into consideration their projected commencement dates, project durations and sizes, which are determined by (i) the projected real estate market demand in the relevant cities; (ii) the projected construction costs; and (iii) the projected macroeconomic conditions. Other factors affecting the estimated construction contract sum, including (i) the land acquisition and relocation compensation costs; (ii) construction and installation costs (e.g. raw material and machinery costs); (iii) overhead costs (e.g. wages, depreciation costs, electricity and water costs), etc. are also taken into account. On this basis, the estimated construction contract sums for the two years ending December 31, 2014 and 2015 are RMB758 million and RMB896 million respectively. Therefore, the proposed annual caps (being 1% of the estimated construction contract sums) for the three years ending December 31, 2013, 2014 and 2015 are nil, RMB7,600,000 and RMB9,000,000, respectively.

Our Directors consider that the annual caps are determined on normal commercial terms and fair and reasonable.

Applicable Listing Rules

Haichang Enterprise Development is an associate of Qu Naijie and will therefore become a connected person of our Company. The Lease and the Project Management Framework Agreement will therefore constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the Listing.

Given that one or more of the applicable percentage ratios (other than profit ratio) under Chapter 14A of the Listing Rules is on an annual basis is more than 0.1% but less than 5%, the transactions under the Lease and Project Management Framework Agreement will be exempted from the independent Shareholders’ approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Application for waiver

The transactions under the Lease and Project Management Framework Agreement constitute our non-exempt continuing connected transactions and would normally require reporting and announcement but are exempt from the requirement of independent Shareholders’ approval under Chapter 14A of the Listing Rules. As these transactions are expected to continue on a continuing

CONNECTED TRANSACTIONS

or recurring basis after the Listing and details of which have been disclosed in this prospectus, our Directors consider that strict compliance with the announcement requirements under the Listing Rules would be unduly burdensome and impractical. Accordingly, the Joint Sponsors have applied on our behalf to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement as may otherwise be required of the Company under Chapter 14A of the Listing Rules in connection with the Lease and Project Management Framework Agreement.

Our Company will comply with the applicable requirements set out in Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules from time to time governing such transactions.

Directors' view

The Directors (including independent non-executive Directors) are of the view that: (i) the Lease and Project Management Framework Agreement were entered into in the ordinary and usual course of business of our Group on normal commercial terms; (ii) the terms of the Lease and Project Management Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole; (iii) the proposed annual caps for the respective transaction under our Lease and Project Management Framework Agreement as set out above are fair and reasonable and in the interest of the Shareholders of our Company as a whole.

Joint Sponsors' view

The Joint Sponsors are of the view that: (i) the Lease and Project Management Framework Agreement were entered into in the ordinary and usual course of business of our Group and on normal commercial terms; (ii) the terms of the Lease and Project Management Framework Agreement are fair and reasonable and in the interests of our Shareholders as a whole; (iii) the proposed annual caps for the respective transaction under the the Lease and Project Management Framework Agreement as set out above are fair and reasonable and in the interest of the Shareholders of our Company as a whole.