

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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Apart from us, Dr. Hui owns a number of other companies. Hengda Industrial is a company established in Guangzhou on February 8, 1996 and is holding a group of companies under common control by Dr. Hui and his associate.

Hengda Industrial currently has three subsidiaries and is carrying on various lines of businesses principally in Guangdong Province and Henan Province, including recreational services and schools.

As of June 30, 2009, Hengda Industrial had approximately 198 full-time employees. For the year ended December 31, 2008, based on the management accounts of Hengda Industrial prepared in accordance with PRC accounting rules and regulations, its revenue amounted to approximately RMB 45.5 million. Hengda Industrial is operated independently from us with a separate management team. Hengda Industrial received no revenue from us in the year ended December 31, 2008. Hengda Industrial and its subsidiaries and associates had no transactions with us during the Track Record Period.

As of June 30, 2009, we had receivables from our Original Shareholder of RMB 0.5 million and payables to Dr. Hui in the aggregate amount of nil. As of June 30, 2009, we had borrowings payable to a related party of RMB 249.0 million. We will use internally generated funds to settle this loan payable in cash before the listing of our Shares on the Stock Exchange.

Delineation of Businesses

None of Hengda Industrial, any of its subsidiaries or any of the other entities controlled by Dr. Hui are engaged in any property development and property management businesses that compete or may compete with us.

Hengda Industrial and the other affiliates of Dr. Hui are engaged in businesses unrelated to the property industry. All other businesses operated by Hengda Industrial and other affiliates of Dr. Hui are not a part of our core property development and property management activities. Hengda Industrial and other businesses controlled by Dr. Hui are not our suppliers nor service providers.

Directors

None of our Directors is a director or a substantial shareholder of any business apart from our business, which competes or is likely to compete, either directly or indirectly, with our business.

Non-competition Undertaking

Each of Hengda Industrial, the Original Shareholder and Dr. Hui has undertaken to us in a deed of non-competition that it/he will not, and will procure its/his associates (other than members of our company) not to, engage in any property development and property management business including (without limitation) the following activities:

- acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, land, real estate properties or property-related investments;

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- engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in land or real estate properties; or
- acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in the two paragraphs above;

except for acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in the three paragraphs above so long as their aggregate interest in any such entity is less than 5% of its equity interest.

The deed of non-competition will lapse automatically if the Original Shareholder or Dr. Hui ceases to be our shareholder.

In order to promote good corporate governance practices and to improve transparency, the deed of non-competition includes the following provisions:

- the independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by Hengda Industrial, the Original Shareholder and Dr. Hui;
- each of Hengda Industrial, the Original Shareholder and Dr. Hui has undertaken to us that it/he will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the deed of non-competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the deed of non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of Hengda Industrial, the Original Shareholder and Dr. Hui will make an annual declaration in our annual report on the compliance with the deed of non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, our substantial shareholders, Directors and chief executive officers or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of our associates will constitute a connected person. Upon the listing of the our Shares on the Stock Exchange, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions, which will continue after the listing of the Shares on the Stock Exchange, will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

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Lease Agreement

On June 1, 2009, Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited, or Jinbi Dashijie, entered into a property lease agreement with Hengda Real Estate Group, pursuant to which Jinbi Dashijie agreed to lease from Hengda Real Estate Group premises of a total GFA of 14,902 square meters situated at 701 Industrial South Road, Haizhu District, Guangzhou for use as a catering and recreational service outlet for a term of three years from January 1, 2009 to December 31, 2011 at an annual rental (exclusive of rates and utilities charges) of not exceeding RMB 16.8 million, RMB 17.4 million and RMB 18.1 million for the three years ending December 31, 2009, 2010 and 2011. Rent paid for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were RMB 3.0 million, RMB 8.6 million, RMB 2.6 million and RMB 1.3 million, respectively. The reason for the significant increase in the rent payable under the lease agreement in 2007 and 2008 was due to revaluation of the premises and the increase in market rent in commercial properties in the Guangzhou market. The rent payable under the lease agreement was determined with reference to the prevailing market rate.

Jinbi Dashijie is 90% indirectly owned by Mrs. Hui, and is our connected person for the purpose of the Listing Rules. The transactions under the lease will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon the listing of our Shares on the Stock Exchange.

CB Richard Ellis Limited, an independent property valuer, has confirmed that the rent payable under the lease is comparable to the current market rent. Our Directors (including the independent non-executive Directors) have confirmed that the transactions under the lease and the annual caps are in the ordinary and normal course of our business and on normal commercial terms which are fair and reasonable and in the interests of our company and our shareholders as a whole.

The Joint Sponsors are of the view that the terms of the lease agreement, including the annual caps, were entered into in the ordinary and normal course of our business and on normal commercial terms which are fair and reasonable and in the interests of our company and our shareholders as a whole.

Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for and the Stock Exchange has granted an one-off waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules in respect of the transaction under the lease agreement.

Except for the above lease agreement, all amounts due to/from related parties will be settled before the listing of our Shares on the Stock Exchange.