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## HISTORY AND REORGANIZATION

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### OUR HISTORY

#### *General*

Our Company was incorporated in the Cayman Islands on May 14, 2010 and, as a part of the Reorganization, it became the ultimate holding company of our various subsidiaries. Prior to the incorporation of our Company and completion of the Reorganization, our business was conducted by our predecessors, namely Guangdong Logan (Group) and Logan Real Estate.

#### *History and Development*

Our Group was founded in 1996, when we first established ourselves in the real estate development industry in Shantou, PRC through Guangdong Logan (Group), and Mr. Ji, one of our Controlling Shareholders, our chairman and executive Director, became its majority shareholder in 2000. The source of funding in establishing our Group came from the personal wealth accumulated from Mr. Ji's construction business prior to the establishment of the Group. In 2003, Guangdong Logan (Group), which was then majority owned by Mr. Ji and principally engaged in, among others, constructions of properties, established Logan Real Estate to engage in the residential properties development business. Immediately prior to the Reorganization, Guangdong Logan (Group) was owned as to 88% and 12% by Mr. Ji and an associate of Mr. Ji, whilst Logan Real Estate was owned as to 96.67%, 1.97% and 1.36% by Guangdong Logan (Group), Huizhou Daya Bay Yuen Ming Real Estate Co., Ltd. (惠州大亞灣潤銘置地有限公司) (a company owned as to 60% by an associate of Mr. Ji and 40% by Mr. Ji Jiande, our executive Director) and a group of 14 other individuals, respectively. As of the Latest Practicable Date, the principal business activities of Guangdong Logan (Group) and Logan Real Estate were investment in expressway build-operate-transfer and infrastructure build-transfer projects and hotel and commercial property development, respectively. In 2008, Shenzhen Youkaisu was established by Logan Real Estate and was principally engaged in investment holding and provision of consultancy services. In 2009, we commenced a series of onshore reorganization to further consolidate our residential properties development business. Upon completion of which, all of the residential properties development businesses were transferred from Logan Real Estate to Shenzhen Youkaisu. Furthermore, in 2011, we completed the acquisition of Shenzhen Youkaisu and since then a group of our PRC subsidiaries principally engaged in the development of residential properties have become wholly owned by Shenzhen Youkaisu. Shenzhen Youkaisu has since then become our principal operating subsidiary which in turn holds various other project companies established in the PRC. For further details, please refer to the section entitled "History and Reorganization—Our Corporate Reorganization" in this prospectus.

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As of the Latest Practicable Date, our Group had 27 operating subsidiaries which were principally engaged in property development in the PRC to develop specific residential property projects. The following table illustrates the corporate information of our operating subsidiaries:

| <u>Name of Subsidiary</u>         | <u>Date of incorporation</u> | <u>Effective equity interest owned by our Company</u> |
|-----------------------------------|------------------------------|---|
| 1. Chengdu Property               | October 15, 2010             | 100%  |
| 2. Dongguan Property              | August 17, 2009              | 100%  |
| 3. Dongguan Realty                | February 26, 2013            | 100%  |
| 4. Dongzhen Property              | February 27, 2007            | 100%  |
| 5. Foshan Chancheng               | December 13, 2012            | 100%  |
| 6. Foshan Nanhai                  | January 23, 2013             | 100%  |
| 7. Foshan Runjing                 | June 20, 2013                | 100%  |
| 8. Guangzhou Property             | March 28, 2007               | 100%  |
| 9. Guangzhou Realty               | March 20, 2008               | 100%  |
| 10. Hainan Jinjun                 | January 20, 2011             | 100%  |
| 11. Huizhou Daya Bay              | October 18, 2007             | 100%  |
| 12. Huizhou Property              | September 30, 2009           | 100%  |
| 13. Logan Sunshine <sup>(1)</sup> | March 30, 2012               | 66%   |
| 14. Nanning Jinjun                | October 12, 2009             | 100%  |
| 15. Nanning Junchi                | November 19, 2012            | 100%  |
| 16. Nanning Property              | April 28, 2006               | 100%  |
| 17. Shantou Jiarun Property       | August 18, 2004              | 100%  |
| 18. Shantou Jinfengyuan           | May 30, 2008                 | 100%  |
| 19. Shantou Jinjun                | March 26, 2013               | 100%  |
| 20. Shantou Logan Property        | January 28, 2008             | 100%  |
| 21. Shantou Realty                | December 17, 2009            | 100%  |
| 22. Shenzhen Logan Property       | May 29, 2003                 | 100%  |
| 23. Shunde Realty                 | April 17, 2008               | 100%  |
| 24. Zhongshan Jinjun              | January 6, 2013              | 100%  |
| 25. Zhongshan Junchi              | May 23, 2013                 | 100%  |
| 26. Zhongshan Property            | February 25, 2007            | 100%  |
| 27. Zhuhai Property               | June 18, 2007                | 100%  |

*Note:*

(1) Logan Sunshine is 66% owned by Shunde Realty and 34% owned by Guangdong Nanhai Luonan Enterprises Group.

### ***Significant Milestones***

Since the establishment of Guangdong Logan (Group), one of our predecessors, in 1996, we have progressed from a property developer focusing primarily in Shantou to a property developer with further footprints across other cities in Guangdong, Guangxi, Sichuan and Hainan provinces.

The following highlights our significant development milestones:

|      |  |
|------|--|
| 1996 | Commenced our business through Guangdong Logan (Group) in the real estate development industry and established ourselves primarily in the property construction industry in Shantou, PRC |
| 2003 | Entered the property development industry in Shenzhen and developed our Shenzhen Sky Palace project  |
| 2004 | Entered the property development market in Foshan through Logan Real Estate  |
| 2006 | Entered into the property development industry in Nanning and began our cross-province development by extending our footprints to provinces outside Guangdong province                   |

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| 2007 | Entered the property markets in Guangzhou, Huizhou, Zhuhai and Zhongshan, etc., and had preliminarily implemented our strategic presence within the Pearl River Delta region |
| 2009 | Commenced our onshore reorganization<br>Entered the property development market in Dongguan  |
| 2010 | Expanded into the property development market in Chengdu   |
| 2011 | Further expanded into the property development market in Lingshui<br>Completed the acquisition of Shenzhen Youkaisi  |

### OUR CORPORATE REORGANIZATION

In preparation for the Global Offering, we underwent the Reorganization, which commenced on November 2, 2009 when our Group first conducted our onshore reorganization. The onshore reorganization which principally involved acquisitions of our certain PRC subsidiaries by Shenzhen Youkaisi was conducted in two separate phases as a result of the funding plan of Shenzhen Youkaisi for such acquisitions.

#### 1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands on May 14, 2010 to act as the listing vehicle of our Group. As of the date of its incorporation, the authorized share capital of our Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. Upon incorporation, one Share of HK\$0.10 was transferred from Codan Trust Company (Cayman) Limited, being the subscriber of the Company, to Ms. Kei. After the transfer, Ms. Kei held one Share, representing the entire issued share capital of the Company. On November 2, 2012, our Company allotted and issued at par an aggregate of 999 Shares, out of which 939 Shares were allotted and issued to Ms. Kei and 20 Shares were allotted and issued to each of Dragon Jubilee, Gao Run and Thrive Ally, all of which are companies incorporated in the BVI and are wholly owned by Ms. Kei.

Pursuant to the Shareholders' resolution dated November 18, 2013, the authorized share capital of the Company was increased from HK\$380,000 to HK\$10,000,000,000 divided into 100,000,000,000 Shares of HK\$0.10 each.

#### 2. Acquisition of PRC subsidiaries by Shenzhen Youkaisi

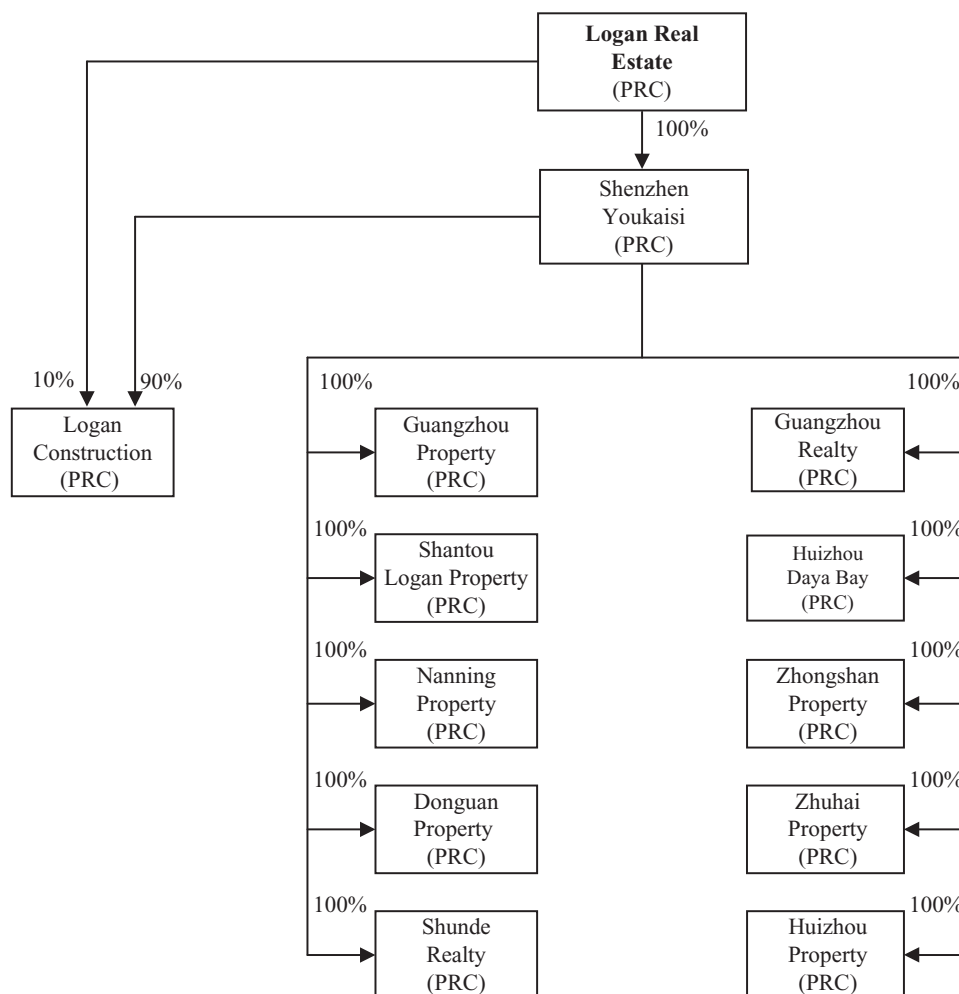
Shenzhen Youkaisi was established in the PRC with a registered capital of RMB1,000,000 on April 1, 2008. At the date of its establishment, it was wholly owned by Logan Real Estate.

To implement our onshore reorganization, on November 2, 2009, Logan Real Estate and Shenzhen Youkaisi entered into various equity transfer agreements. Pursuant to such agreements, Logan Real Estate transferred to Shenzhen Youkaisi all of its 100% shareholding in each of Nanning Property, Zhongshan Property, Zhuhai Property, Guangzhou Property, Guangzhou Realty, Shunde Realty and Shantou Logan Property, and its 90% interest in Logan Construction at a consideration of RMB50,000,000, RMB30,000,000, RMB30,000,000, RMB40,000,000, RMB30,000,000, RMB30,000,000, RMB10,000,000 and RMB72,000,000, respectively. On November 2, 2009, Shenzhen Logan Property and Shenzhen Youkaisi entered into an equity transfer agreement, pursuant to which Shenzhen Logan Property agreed to transfer all of its 100% shareholding in Dongguan Property at a consideration of RMB50,000,000. Further, on November 3, 2009, Logan Real Estate and

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Shenzhen Youkaisu entered into further equity transfer agreements. Pursuant to which, Logan Real Estate transferred to Shenzhen Youkaisu all of its 100% shareholding in each of Huizhou Daya Bay and Huizhou Property at a consideration of RMB10,000,000 and RMB30,000,000, respectively. The basis of the consideration for all the above transfers were determined with reference to the then registered capital of the respective company. Each of these transfers was properly and legally completed and settled. On November 9, 2009, the registered capital of Shenzhen Youkaisu was increased from RMB221,000,000 to RMB443,000,000 through the capital injection by the then shareholder, Logan Real Estate.

The shareholding structure upon completion of the above acquisitions of PRC companies by Shenzhen Youkaisu is shown below.



### 3. Acquisition of Shenzhen Youkaisu, Yuen Ming Investments and Noble Rhythm 25% Acquisition

In light of the restrictive measures regarding the PRC real estate market implemented by the PRC government since 2008, Logan Real Estate, one of our predecessors, had then decided to broaden our financing channels by establishing Shenzhen Youkaisu as a foreign-invested enterprise in order to allow for more accessible offshore financing opportunities and provide a long term financing platform to satisfy the Group's continuing working capital needs. From the second half of 2008, Mr. Ji began liaising with Mr. Lam Kwan Hung ("Mr. Lam"), a friend whom Mr. Ji has known for many years,

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about potential offshore financing channels for the Group, as Mr. Lam had previous investment and business experience in Hong Kong and the PRC and had also indicated that he could assist our Group in accessing offshore financing opportunities including the introduction of foreign investors given his interest in investing in the PRC real estate market and his belief on the prospects of our Group.

As a result, on December 24, 2009, Logan Real Estate entered into an equity transfer agreement with Kam Wang, a company then beneficially owned by Mr. Lam, pursuant to which Kam Wang acquired 25% of the equity interest in Shenzhen Youkaisu (the “25% Acquisition”) at a consideration of RMB125,000,000, which was determined with reference to the then value of the equity interest as assessed by an independent valuer. The PRC governmental approval for the 25% Acquisition was obtained on January 13, 2010, which was granted by the SITIC (Shenzhen), the competent authority for approving the transfer of the equity interest in Shenzhen Youkaisu. The 25% Acquisition was completed, with the updated business license evidencing Shenzhen Youkaisu being a foreign-invested enterprise being granted, on February 4, 2010, and payment of the consideration of RMB125,000,000 for the 25% Acquisition was due within three months upon Shenzhen Youkaisu obtaining such updated business license. At the time of the 25% Acquisition, Kam Wang was then wholly owned by Noble Rhythm, which was then in turn wholly owned by Mr. Cheung Hok Ming (“Mr. Cheung”), whom upon completion of the acquisition, was then holding the 25% equity interests in Shenzhen Youkaisu on trust for Mr. Lam and such trust arrangement was made on the request of Mr. Lam which was in line with his previous investment practices.

Each of Mr. Lam and Mr. Cheung is an Independent Third Party and has no other relationship (including business, employment and family relationship) with our Company, its shareholders, directors, senior management and their respective associates. Mr. Lam Kwan Hung is a business acquaintance of Mr. Ji whom Mr. Ji has known for over ten years. Mr. Lam is an experienced businessman and has interests in various businesses, including real estate, logistics and securities investment businesses in Hong Kong and the PRC. Mr. Cheung is a friend of Mr. Ji whom Mr. Ji has known for over ten years since their association in Shantou.

Noble Rhythm was established in the BVI on November 12, 2009 with an authorized share capital of US\$50,000 with shares at par value of US\$1.00 each. Mr. Lam Kwan Hung became the sole beneficial shareholder of Noble Rhythm on December 7, 2009. The sole asset of Noble Rhythm is the interest in the entire issued share capital of Kam Wang, a company established in Hong Kong with an authorized share capital of HK\$10,000 with shares at par value of HK\$1.00 each. The sole asset of Kam Wang is the 25% interest in Shenzhen Youkaisu that it acquired for a consideration of RMB125,000,000 under an agreement with Logan Real Estate of December 24, 2009, which was completed on February 4, 2010.

Upon completion of the 25% Acquisition, Shenzhen Youkaisu was 25% owned by Kam Wang and 75% owned by Logan Real Estate.

### **75% Acquisition**

After Shenzhen Youkaisu having become a foreign-invested enterprise upon completion of the 25% Acquisition, we intended to further enhance our Group’s offshore financing channel by transferring the remaining 75% equity interests in Shenzhen Youkaisu to an offshore entity controlled by Ms. Kei. However, at the relevant time, Ms. Kei was unavailable to attend to the matters regarding such transfer. To capture the financing opportunity presented to our Group at that time by external

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independent financing providers and to avoid any delay or change of circumstance due to the ever-changing market and/or policy conditions, Mr. Ji therefore sought Mr. Cheung's assistance to conduct such transfer on behalf of Ms. Kei.

On April 17, 2010, Logan Real Estate entered into an equity transfer agreement with Yuen Ming, pursuant to which Yuen Ming acquired 75% of the equity interest in Shenzhen Youkai (the "75% Acquisition") at a consideration of RMB375,000,000, which was determined with reference to the then value of the equity interest as assessed by an independent valuer. At the time of such acquisition, Yuen Ming was wholly owned by Yuen Ming Investments, which in turn was wholly owned by Honk Jee Loong, a company wholly owned by Mr. Cheung Hok Ming. Mr. Cheung agreed to, through Honk Jee Loong, hold the shares of Yuen Ming Investments on trust for Ms. Kei since April 17, 2010 for a short period of time until Ms. Kei was available to attend to the matters regarding Shenzhen Youkai. On September 9, 2010, Honk Jee Loong transferred to Ms. Kei one share representing the entire issued share capital of in Yuen Ming Investments at par value of US\$1.00, and Ms. Kei became the registered shareholder and beneficial owner of Yuen Ming Investments. Upon completion of such transfer, Honk Jee Loong ceased to hold any interest in Yuen Ming Investments. The 75% Acquisition was approved by SITIC (Shenzhen) on September 25, 2010 and Yuen Ming received SAFE approval for the settlement of the consideration for the 75% Acquisition on June 8, 2011. On November 30, 2010, our Company acquired the entire issued share capital of Yuen Ming Investments from Ms. Kei at a consideration of US\$1.00. Following the completion of such acquisition, our Company holds the entire issued share capital of Yuen Ming Investments. The 75% Acquisition was completed, with the updated business license being granted, on March 11, 2011. The consideration for the 75% Acquisition was funded by an offshore bank facility obtained by Yuen Ming.

Honk Jee Loong, a company then wholly owned by Mr. Cheung, was an Independent Third Party and had no other relationship (including business, employment and family relationship) with the Company, its shareholders, directors, senior management and their respective associates at the relevant time.

Yuen Ming Investments was incorporated in the BVI on September 19, 2007 with an authorized share capital of US\$50,000 with shares at par value of US\$1.00 each. At the date of its incorporation, Honk Jee Loong held one share, representing 100% shareholding in Yuen Ming Investments. The sole asset of Yuen Ming Investments is the interest in the entire issued share capital of Yuen Ming, a company incorporated in Hong Kong with an authorized share capital of HK\$10,000 with shares at par value of HK\$1.00 each. The sole asset of Yuen Ming is the 75% interest in Shenzhen Youkai that it acquired at a consideration of RMB375,000,000 under the agreement with Logan Real Estate of April 17, 2010, which was completed on March 11, 2011.

Following completion of the 75% Acquisition, Shenzhen Youkai was owned as to 25% by Kam Wang, which was in turn owned by Mr. Lam at the relevant time, and as to 75% by Yuen Ming, which was then indirectly and wholly owned by Ms. Kei.

### **Acquisition of 25% interest in Shenzhen Youkai by our Group**

Mr. Lam had failed to settle the consideration for the 25% Acquisition upon the due date under the equity transfer agreement as he had cash flow problems due to the then volatile market conditions and the funding commitments for this other businesses at the relevant time. Given the importance of enhancing the financial channels of our Group and retaining the foreign invested enterprise status of



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Shenzhen Youkaisu, Logan Real Estate agreed with Mr. Lam to postpone the payment of the consideration for the 25% Acquisition to a later date instead of terminating the 25% Acquisition and converting Shenzhen Youkaisu back into a domestic PRC entity. Despite the then continuous follow up with Mr. Lam by the representative of Logan Real Estate and after a lot of discussions between the parties involved, Mr. Lam still failed to settle the consideration payment for the 25% Acquisition and several agreements were entered into to postponed the payment date for the consideration of the 25% Acquisition. Given the uncertainty of Mr. Lam's ability to settle the relevant payment consideration for the consideration for the 25% Acquisition, Logan Real Estate and the Company has started to explore other funding opportunities for the 25% Acquisition since mid-May 2010. At the same time, Logan Real Estate also started negotiation with third parties on the funding opportunity for the 75% Acquisition. In late 2010, it was mutually agreed between Mr. Ji and Mr. Lam that Ms. Kei could acquire the equity interest relating to the 25% Acquisition from Mr. Lam at a consideration of HK\$12,000,000 and settled the consideration amount of RMB120,000,000 for him in order to avoid any further postponement of the payment of the consideration of the 25% Acquisition as well as to preserve the foreign invested enterprise status of Shenzhen Youkaisu.

As a result, on January 21, 2011, our Company acquired the entire issued share capital of Noble Rhythm from Mr. Lam at a consideration of HK\$12,000,000. The consideration was agreed between our Company and Mr. Lam upon arm's length negotiation, being the consideration paid by Ms. Kei to Mr. Lam, the then sole shareholder of Noble Rhythm, for his exit from Noble Rhythm, taking into consideration of Mr. Lam's assistance to our Group in the past by introducing financial institutions to our Company as well as the increase in value in the equity interest of Shenzhen Youkaisu. The payment to Mr. Lam's exit did not reflect the consideration amount of RMB125,000,000 when Kam Wang acquired 25% of the equity interest in Shenzhen Youkaisu, which remained unsettled by Kam Wang at the time of the transfer. Subsequently, the amount of RMB125,000,000, which was funded by an offshore bank facility obtained by Kam Wang, was paid by Kam Wang to Logan Real Estate. The transaction regarding the acquisition of Noble Rhythm was conducted on an arm's length basis and based on normal commercial terms. The consideration was settled in cash by Ms. Kei, through her family's financial support, by making a shareholder's loan to our Company. Following completion of such acquisition, our Company holds the entire issued share capital of Noble Rhythm.

On April 27, 2011, Kam Wang received the SAFE approval for the settlement of the consideration of the 25% Acquisition and our Company became the indirect owner of 25% interest in Shenzhen Youkaisu.

#### **4. Acquisition of other PRC subsidiaries by Shenzhen Youkaisu**

On July 1, 2010, Zhongrong International, Shenzhen Youkaisu and Shunde Realty entered into a capital increase agreement, pursuant to which Zhongrong International injected capital in the amount of RMB5,295,000 into Shunde Realty. The capital increase agreement was entered as part of a short-term project financing arrangement between Shenzhen Youkaisu and Zhongrong International, which involved a transfer of 15% equity interest in Shunde Realty and a pledge of the remaining 85% equity interest in Shunde Realty held by Shenzhen Youkaisu to Zhongrong International, a trust financing institution. Upon completion of such capital injection, Shunde Realty was 85% owned by Shenzhen Youkaisu and 15% owned by Zhongrong International. The trust financing arrangement was entered merely for the financing purpose of Grand View, a residential property project located in the Shunde District of Foshan and to broaden the financing channels of the Group. The transfer of the minority equity interest in Shunde Realty was made so as to enable Zhongrong International to closely monitor

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and be involved in the project progress and business development of such property project. On August 10, 2011, upon the repayment of the required amount under the trust financing arrangement made by Shenzhen Youkaisu and Zhongrong International, Zhongrong International and Shenzhen Youkaisu entered into an equity transfer agreement, pursuant to which Zhongrong International transferred to Shenzhen Youkaisu all of its 15% equity interest in Shunde Realty at a consideration of RMB5,877,450, which was agreed by the parties on an arm's length basis. Upon completion of such share transfer, Shenzhen Youkaisu becomes the sole shareholder of Shunde Realty and the pledge of the 85% equity interest in Shunde Realty was then released.

On November 1, 2010, Logan Real Estate and Shenzhen Youkaisu entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred to Shenzhen Youkaisu all of its 100% shareholding in Nanning Jinjun at a consideration of RMB50,000,000, which was determined by the fair value assessment of the equity as agreed by the parties. Upon completion of such equity transfer, Shenzhen Youkaisu becomes the sole shareholder of Nanning Jinjun. Subsequently on June 28, 2013, Shenzhen Youkaisu and Nanning Property entered into an equity transfer agreement, pursuant to which Shenzhen Youkaisu transferred its 51% shareholding in Nanning Jinjun to Nanning Property. Upon completion of such equity transfer, Nanning Jinjun is 51% owned by Nanning Property and 49% owned by Shenzhen Youkaisu.

On November 9, 2010, Longfeng Property and Shenzhen Youkaisu entered into an equity transfer agreement and as supplemented by a supplemental agreement dated December 10, 2010, pursuant to which Longfeng Property transferred to Shenzhen Youkaisu all of its 100% shareholding in Shantou Jinfengyuan at a consideration of RMB81,504,520.08, which was determined by the fair value assessment of the equity as agreed by the parties. Upon completion of such equity transfer, Shenzhen Youkaisu becomes the sole shareholder of Shantou Jinfengyuan.

On December 6, 2010, Logan Real Estate and Shenzhen Youkaisu entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred to Shenzhen Youkaisu all of its 100% shareholding in Shenzhen Media Planning at a consideration of RMB2,200,000, which was determined by the fair value assessment of the equity as agreed by the parties. Upon completion of such equity transfer, Shenzhen Youkaisu becomes the sole shareholder of Shenzhen Media Planning. Shenzhen Media Planning is the sole shareholder of each of Shenzhen Logan Property and Shenzhen Logan Dongzhen Realty, respectively. Shenzhen Logan Dongzhen Realty is the sole shareholder of Dongzhen Property.

On December 31, 2010, Logan Real Estate, Shantou Tinda Laowu and Shenzhen Youkaisu entered into an equity transfer agreement, pursuant to which Logan Real Estate and Shantou Tinda Laowu transferred to Shenzhen Youkaisu all their respective 51% and 49% shareholding in Shantou Jiarun Property at a consideration of RMB5,100,000 and RMB4,900,000, respectively, which were determined by the fair value assessment of the equity as agreed by the parties with reference to its net asset value. Upon completion of such equity transfers, Shenzhen Youkaisu becomes the sole shareholder of Shantou Jiarun Property.

On December 31, 2010, Logan Real Estate and Shenzhen Youkaisu entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred to Shenzhen Youkaisu its 1% shareholding in Logan Construction at a consideration of RMB800,000, representing the then registered capital of Logan Construction. Upon completion of such equity transfer, Logan Construction is 91% owned by Shenzhen Youkaisu and 9% owned by Logan Real Estate.



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Further, on December 31, 2010, Logan Real Estate and Shenzhen Youkai entered into an equity transfer agreement and as supplemented by a supplemental agreement dated April 1, 2011, pursuant to which Logan Real Estate agreed transfer to Shenzhen Youkai all its 100% shareholding in Shantou Realty at a consideration of RMB148,667,496.20, which was determined based on the fair value assessment of the equity as agreed by the parties with reference to its net asset value. Upon completion of such equity transfer, Shenzhen Youkai becomes the sole shareholder of Shantou Realty.

On February 21, 2011, Logan Real Estate and Shenzhen Youkai entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred to Shenzhen Youkai all of its 100% shareholding in Chengdu Property at a consideration of RMB10,000,000, which was determined based on the fair value assessment of the equity as agreed by the parties. Upon completion of such equity transfer, Shenzhen Youkai becomes the sole shareholder of Chengdu Property. Subsequently, on August 29, 2012, Shenzhen Youkai and Nanning Property entered into an equity transfer agreement, pursuant to which Shenzhen Youkai transferred to Nanning Property its 51% shareholding in Chengdu Property at a consideration of RMB5,100,000, which was determined based on the fair value assessment of the equity as agreed by the parties with reference to its net asset value. Upon completion of such equity transfer, Chengdu Property is 51% owned by Nanning Property and 49% owned by Shenzhen Youkai.

On April 12, 2011, Logan Real Estate and Shenzhen Youkai entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred to Shenzhen Youkai its 100% shareholding in Hainan Property at a consideration of RMB20,000,000, which was determined based on the fair value assessment of the equity as agreed by the parties with reference to its net asset value. Upon completion of such equity transfer, Shenzhen Youkai becomes the sole shareholder of Hainan Property. Hainan Property is the sole shareholder of Hainan Jinjun, a company established in the PRC with a registered capital of RMB30,000,000.

On November 22, 2011, Logan Real Estate and Shenzhen Media Planning entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred to Shenzhen Media Planning its 100% shareholding in Logan Century Business at a consideration of RMB100,000,000, which was determined based on the fair value assessment of the equity as agreed by the parties with reference to its net asset value. Upon completion of such equity transfer, Shenzhen Media Planning becomes the sole shareholder of Logan Century Business.

### **5. Establishment of PRC companies**

On March 8, 2010, Shenzhen Chenrong Materials was established in the PRC with a registered capital of RMB5,000,000. As of the date of its incorporation, Logan Construction was the sole shareholder of Shenzhen Chenrong Materials.

On March 29, 2011, Shenzhen Decorating Construction was established in the PRC with a registered capital of RMB5,000,000. As of the date of its incorporation, Logan Construction was the sole shareholder of Shenzhen Decorating Construction.

On November 19, 2012, Nanning Junchi was established in the PRC with a registered capital of RMB35,000,000. As of the date of its incorporation, Nanning Property was the sole shareholder of Nanning Junchi.

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On December 13, 2012, Foshan Chancheng was established in the PRC with a registered capital of RMB10,500,000. As of the date of its incorporation, Shenzhen Youkaisu was the sole shareholder of Foshan Chancheng.

On January 6, 2013, Zhongshan Jinjun was established in the PRC with a registered capital of RMB10,000,000. As of the date of its incorporation, Zhongshan Property was the sole shareholder of Zhongshan Jinjun.

On January 10, 2013, Shenzhen Logan Investment was established in the PRC with a registered capital of RMB10,000,000. As of the date of its incorporation, Shenzhen Media Planning was the sole shareholder of Shenzhen Logan Investment.

On January 23, 2013, Foshan Nanhai was established in the PRC with a registered capital of RMB10,000,000. As of the date of its incorporation, Shunde Realty was the sole shareholder of Foshan Nanhai.

On February 26, 2013, Dongguan Realty was established in the PRC with a registered capital of RMB10,500,000. As of the date of its incorporation, Shenzhen Logan Investment was the sole shareholder of Dongguan Realty.

On March 26, 2013, Shantou Jinjun was established in the PRC with a registered capital of RMB10,500,000. As of the date of its incorporation, Shantou Logan Property was the sole shareholder of Shantou Jinjun.

On May 23, 2013, Zhongshan Junchi was established in the PRC with a registered capital of RMB10,500,000. As of the date of its incorporation, Shenzhen Logan Investment was the sole shareholder of Zhongshan Junchi.

On June 20, 2013, Foshan Runjing was established in the PRC with a registered capital of RMB10,000,000. As of the date of its incorporation, Shenzhen Logan Investment was the sole shareholder of Foshan Runjing.

On July 16, 2013, Foshan Logan was established in the PRC with a registered capital of RMB10,500,000. As of the date of its incorporation, Shenzhen Logan Investment was the sole shareholder of Foshan Logan.

### **6. Incorporation of investment holding companies**

In 2011, five companies, namely Jolly Gain, Tai Ying, Platinum Profit, Golden Prosper and Talent Union were incorporated in the BVI by our Company as investment holding companies.

Subsequently, the above five investment holding companies incorporated Jolly Gain (HK), Tai Ying (HK), Platinum Profit (HK), Golden Prosper (HK) and Talent Union (HK) in Hong Kong for investment purposes.

Further, on October 3, 2012, we incorporated Dragon Coronet in the BVI as investment holding company, which in turn subsequently incorporated Grandview Architectural in Hong Kong for investment purposes.

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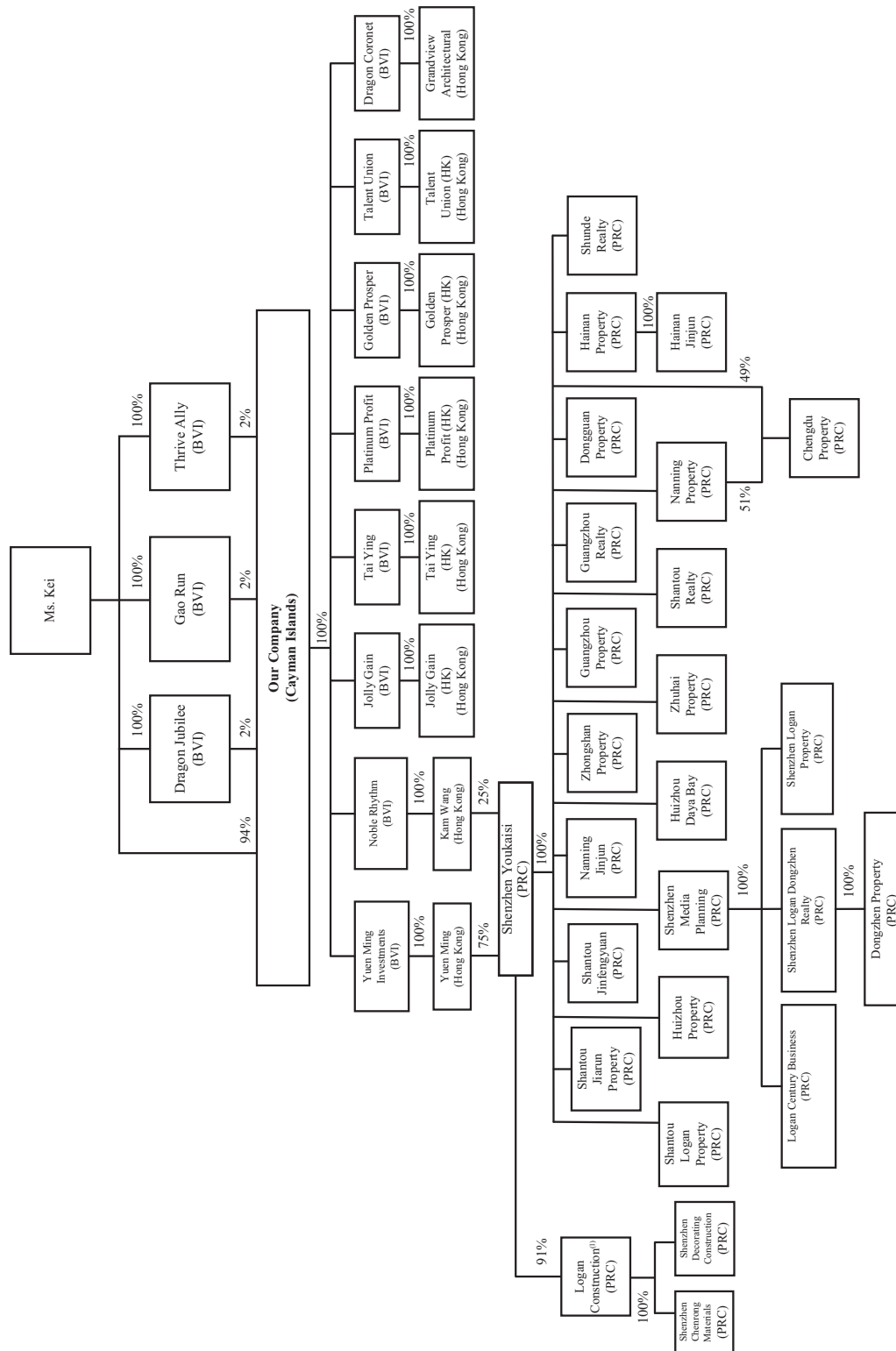
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### 7. Allotment of Shares

On November 2, 2012, Ms. Kei applied for, and our Company allotted and issued to Ms. Kei, 939 Shares, at par with a total consideration of HK\$93.9 and on the same day, each of Dragon Jubilee, Gao Run and Thrive Ally applied for and our Company allotted and issued to each of Dragon Jubilee, Gao Run and Thrive Ally, 20 Shares at par with a total consideration of HK\$6. Immediately after completion of the above allotment and issue of Shares, each of Ms. Kei, Dragon Jubilee, Gao Run and Thrive Ally held 94%, 2%, 2% and 2% of the then issued share capital of our Company. Dragon Jubilee, Gao Run and Thrive Ally are companies wholly owned by Ms. Kei and the Shares allotted and issued to each of Dragon Jubilee, Gao Run and Thrive Ally may be used for the purpose of awarding Shares to employees of the Group pursuant to a scheme our Company may consider and adopt after Listing.

## HISTORY AND REORGANIZATION

Our shareholding structure immediately following completion of the allotment of shares to Dragon Jubilee, Gao Run and Thrive Ally is shown below.



Note:

(1) Logan Construction is 91% owned by Shenzhen Youkaisi and 9% owned by Logan Real Estate.

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## HISTORY AND REORGANIZATION

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### **8. Further acquisition of PRC subsidiaries by Shenzhen Youkai**

On January 9, 2013, Logan Real Estate and Shenzhen Youkai entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred all of its 100% shareholding in Guangdong Modern Construction at a consideration of RMB8,150,000, which was determined by the net asset value of Guangdong Modern Construction plus premium upon fair value assessment of the value of Guangdong Modern Construction as agreed by the parties. Upon completion of such equity transfer, Shenzhen Youkai becomes the sole shareholder of Guangdong Modern Construction.

On March 8, 2013, Logan Real Estate and Shunde Realty entered into an equity transfer agreement, pursuant to which Logan Real Estate transferred all of its 66% shareholding in Logan Sunshine at a consideration of RMB6,930,000, which was determined by the net asset value of Logan Sunshine plus premium upon fair value assessment of the value of Logan Sunshine as agreed by the parties. Upon completion of such equity transfer, Logan Sunshine is 66% owned by Shunde Realty, with the remaining 34% owned by an Independent Third Party.

### **9. Declaration of Ms. Kei**

As shown in the shareholding structure of our Group upon completion of the Reorganization, Ms. Kei, our Non-executive Director and one of our Controlling Shareholders, is the ultimate shareholder of our Group. As part of Mr. Ji's succession plan for the business currently carried out by the Group and given that Ms. Kei has relatively limited experience in the real estate business, a declaration was made by Ms. Kei, pursuant to which Ms. Kei declared that despite her shareholdings in our Company, the ultimate control over all major affairs of the Group are being vested in Mr. Ji, the father of Ms. Kei and one of our Controlling Shareholders, and that Ms. Kei had and will continue to act under the instruction of Mr. Ji from time to time with respect to the management of the Group, provided that any such instruction from Mr. Ji shall not conflict with Ms. Kei's fiduciary duty as a Director. These major affairs include but are not limited to matters such as the declaration of dividend, the approval of annual budgets, the approval of accounts and the appointment of auditors.

Further, given that Mr. Ji is our chairman and an Executive Director, he also owes fiduciary duties to our Company and is required to act in the best interest of the Company. In the event that Mr. Ji gives any instruction to Ms. Kei which conflict with Ms. Kei's fiduciary duties as a Director, such instructions would be in conflict with Mr. Ji's own fiduciary duties as a Director. Accordingly, the Company is of view that the circumstances in which Mr. Ji will give instructions to Ms. Kei that will contradict with her fiduciary duties as a Director would be rare.

Accordingly, the Controlling Shareholders who together indirectly own approximately 85% of our issued share capital upon completion of the Global Offering, satisfy the ownership continuity and control requirements under Rule 8.05(1)(c) of the Listing Rules.

### **10. Establishment of Family Trust**

On April 16, 2013, the BVI Holdco, Junxi Investments Limited, was incorporated by Ms. Kei in the BVI. As of the date of its incorporation, Ms. Kei held one share in BVI Holdco, representing 100% shareholding in BVI Holdco.

On May 15, 2013, Ms. Kei established a trust (the "Family Trust") through a company incorporated in Guernsey, Kei Family United Limited (the "Trust Company"). On May 15, 2013, the

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## HISTORY AND REORGANIZATION

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Trust Company acquired the entire interest in BVI Holdco. The Trust Company is a company owned as to 50% by each of Brock Nominees Limited and Tenby Nominees Limited, respectively, which in turn is holding the shares of the Trust Company on behalf of a company incorporated in Guernsey, Credit Suisse Trust Limited (the “Trustee”) as trustee of the Family Trust. The beneficiaries of the Family Trust include Ms. Kei and her family member(s) (excluding Mr. Ji).

### **11. Further transfers of Shares to Dragon Jubilee, Gao Run, Thrive Ally and the BVI Holdco**

On October 31, 2013, for the purpose of awarding Shares to employees of the Group pursuant to a scheme that our Company may consider and adopt after Listing, Ms. Kei further transferred 80 Shares, 30 Shares and 30 Shares to Dragon Jubilee, Gao Run and Thrive Ally, respectively, at nil consideration. Immediately following such transfers, each of Ms. Kei, Dragon Jubilee, Gao Run and Thrive Ally held 80%, 10%, 5% and 5% of the then issued share capital of our Company.

Subsequent to the above, on October 31, 2013, the BVI Holdco acquired from Ms. Kei the 80% interest in our Company at nil consideration. Immediately following such acquisition, each of BVI Holdco, Dragon Jubilee, Gao Run and Thrive Ally held 80%, 10%, 5% and 5% of the then issued share capital of our Company.





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## HISTORY AND REORGANIZATION

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### LEGAL COMPLIANCE

#### *Registration Process Under the No. 75 Notice*

According to the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “No. 75 Notice”) promulgated on October 21, 2005 by SAFE which became effective on November 1, 2005, domestic resident natural persons or domestic resident legal persons are required to register with the competent local branch of SAFE before they establish or control any offshore special purpose vehicles for capital raising with the assets or equity interests of PRC domestic companies owned by them. Pursuant to the No. 75 Notice, the domestic resident natural persons include those individuals who hold PRC citizenship and those individuals who have no PRC identity but reside habitually in the PRC for the purpose of economic interests.

Ms. Kei, our Non-Executive Director and the sole shareholder of each of Dragon Jubilee, Rao Jun and Thrive Ally as well as the settler of the Family Trust, was a national citizen of Saint Christopher and Nevis before she acquired the ultimate control of the interests in our Company. Subsequently in November 2012, Ms. Kei obtained a valid Hong Kong permanent identity card and right of abode in Hong Kong. As advised by our PRC legal advisor, Ms. Kei is not subject to the registration process under the No. 75 Notice.

#### *Application of the M&A Rules*

Pursuant to Provisions Regarding Mergers with and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“M&A Rules”) promulgated by six PRC regulatory agencies on August 8, 2006, which became effective on September 8, 2006, as amended on June 22, 2009 “Merger and acquisition of domestic enterprises by foreign investors” under the M&A Rules where a foreign investor purchases the equity of a shareholder of a non foreign-invested enterprise in China (domestic company) or increases the capital of a domestic company so as to convert and re-establish a domestic company as a foreign-invested enterprise (“Equity Merger and Acquisition”); or, where a foreign investor establishes a foreign-invested enterprise and purchases and operates the assets of a domestic enterprise by the agreement of that enterprise, or, a foreign investor purchases the assets of a domestic enterprise by agreement and uses this asset investment to establish a foreign-invested enterprise and operate the assets (“Asset Merger and Acquisition”), such Equity Merger and Acquisition as well as Asset Merger and Acquisition shall be subject to the approval of the examination and approval authorities in accordance with the M&A Rules.

In addition, the M&A Rules also provide that, where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribes the increased capital of a domestic foreign-invested enterprise, it shall be subject to the current laws, administrative regulations on foreign-invested enterprises and the relevant provisions on alteration in investors’ equity interest of foreign-invested enterprises.

Kam Wang, a company incorporated in Hong Kong, completed the 25% Acquisition on February 4, 2010, which falls within the scope as Equity Merger and Acquisition, after the promulgation of the M&A Rules and therefore is subject to the relevant approval and filings requirements set forth therein. As confirmed by our PRC legal advisor, all the requisite approvals, permits and licenses in relation to the 25% Acquisition has been obtained pursuant to the applicable laws and regulations in the PRC and the 25% Acquisition has been duly approved by competent

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## HISTORY AND REORGANIZATION

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governmental authorities in accordance with the M&A Rules and was in compliance with the M&A Rules in all material respects for the following reasons:

- According to the statement of members of the listing group in the PRC, each of Kam Wang, as well as Mr. Lam (the then beneficial owner) and Mr. Cheung (the then legal owner) was an Independent Third Party when the 25% Acquisition was reported to the competent governmental authority for approval and Kam Wang had no other relationship with Mr. Ji at the relevant time;
- the relevant equity transfer agreement was entered by and between Kam Wang and Logan Real Estate on December 24, 2009 stating that upon the date when the updated business license of Shenzhen Youkaisu reflecting the 25% Acquisition was issued, Logan Real Estate no longer held the 25% equity interest in Shenzhen Youkaisu and Kam Wang was then the shareholder of 25% equity interest in Shenzhen Youkaisu;
- on January 13, 2010, the approval regarding the establishment of Shenzhen Youkaisu as a Joint Venture Enterprise through Acquisition of Equity Interest (Shen Ke Gong Mao Xin Zi Zi [2010] No. 0115) was issued by the SITIC (Shenzhen); and
- the revised business license of Shenzhen Youkaisu was issued by Market Supervision Administration of Shenzhen Municipality on February 4, 2010, which stated that the nature of Shenzhen Youkaisu has then become a limited liability company (joint venture between entities between Taiwan, Hong Kong, Macau and entities of the PRC) (有限責任公司 (台港澳與境內合資)) and Shenzhen Youkaisu has then been considered as a foreign-invested enterprise despite the outstanding settlement of the consideration for the 25% Acquisition.

In light of the above, our PRC legal advisors is of the view that the 25% Acquisition was in compliance with the M&A Rules in all material respects and that any subsequent transfer in Shenzhen Youkaisu, being a foreign-invested enterprise would not be subject to the M&A Rules. Further, any subsequent transfer of the beneficial interests in Kam Wang would not affect Shenzhen Youkaisu's status as a foreign-invested enterprise and no notification/filing is required to be made notifying the PRC government of such transfer of beneficial interest either.

Yuen Ming, a company incorporated in Hong Kong, completed the 75% Acquisition on March 11, 2011. At the time of the completion of such 75% Acquisition, Shenzhen Youkaisu was a foreign-invested enterprise. Accordingly, the 75% Acquisition did not fall under the M&A Rules and instead falls under the Provisions for the Alteration of Investors' Equities in Foreign Invested Enterprises (外商投資企業投資者股權變更的若干規定 [1997], Waijingfa No. 267). Accordingly, our PRC legal advisor is of the opinion that the M&A rules does not apply.

Further, relevant approval regarding the alteration of investors' equity interest and the amendments to the articles of association of Shenzhen Youkaisu (Shen Ke Gong Mao Xin Zi Zi [2010] No. 2795) was issued by the SITIC (Shenzhen), pursuant to which approval was obtained in relation to:

- the 75% Acquisition;
- the nature of Shenzhen Youkaisu being converted into the foreign-invested enterprise after the completion of the equity transfer; and
- the articles of association of Shenzhen Youkaisu being amended to reflect the fact that Shenzhen Youkaisu has then become an foreign-invested joint venture enterprise is approved.

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## HISTORY AND REORGANIZATION

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In light of the above, our PRC legal advisors is of the view that the 75% Acquisition has been duly approved by competent approval authority in the PRC, and was in all material respects compliance with relevant PRC laws and regulations, and did not violate the M&A Rules.

As advised by our PRC legal advisor as well as the PRC legal advisor to the Underwriters, Commerce & Finance, SITIC (Shenzhen) was the proper authority for approving the equity transfer of Shenzhen Youkaisu in its reorganization process, including the 25% Acquisition. Further, the PRC legal advisor to the Underwriters, Commerce & Finance, had conducted and attended an interview with the director of the Department of Foreign Trade and Economic Cooperation of Guangdong Province (The Foreign Investment Administration Department) (廣東省對外貿易經濟合作廳外資管理處) (“Guangdong FTEC”), being a higher level regulatory authority which is in a position to instruct SITIC (Shenzhen), pursuant to which, the director of Guangdong FTEC has confirmed and concurred with the view of the two PRC legal advisors that SITIC (Shenzhen) was the competent authority for approving the equity transfer of Shenzhen Youkaisu, and SITIC (Shenzhen) had the authority to approve the reorganization of Shenzhen Youkaisu without the need to seek further approval by the other regulatory authorities at the Guangdong provincial level or by central MOFCOM. As explained by the director of Guangdong FTEC, for so long as the purchaser under the 25% Acquisition was a non-PRC resident or an individual independent of Shenzhen Youkaisu and its actual controllers, the validity of the approval for the 25% Acquisition will not be affected and the validity of the approval for the 25% Acquisition will not be affected by the fact that the purchaser of the equity interest had eventually failed to settle the consideration for the transfer. Further, since Ms. Kei has become a non-PRC resident when completion of the 75% Acquisition occurred, the director of Guangdong FTEC also confirmed that the validity of the approval for the 75% Acquisition will not be affected, and that the approval process and the approvals granted for the equity transfer in Shenzhen Youkaisu’s reorganization are legal and valid under PRC laws, rules and regulations. Based on the foregoing, our PRC legal advisor as well as the PRC legal advisor to the Underwriters, Commerce & Finance, are of the view that each of the 25% Acquisition and the 75% Acquisition was in compliance with relevant PRC laws, rules and regulations and that there was no circumvention of any PRC laws, rules and regulations.

In relation to the legality and validity of the onshore reorganization of the subsidiaries of Shenzhen Youkaisu, taking into account that those subsidiaries were foreign-reinvested enterprises or the subsidiaries of such foreign-reinvested enterprises, pursuant to the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises jointly promulgated by the predecessor of the MOFCOM and the SAIC on June 25, 2000, which came into effect on September 1, 2000, to establish a company in a field in the restricted category, a foreign-invested enterprise shall file an application with competent examination and approval authority of provincial level and of the place where the reinvested enterprise is to be located. Given all the onshore subsidiaries of the Group are not engaged in any business that fall within the scope of the restricted category, therefore, the onshore reorganization of all the subsidiaries of Shenzhen Youkaisu was not subject to the approval of relevant competent examination and approval authority of provincial level. Accordingly, our PRC legal advisors is of the view that the onshore pre-listing reorganization of the subsidiaries of Shenzhen Youkaisu was in compliance with relevant PRC laws and regulations, and did not violate the M&A Rules.

In relation to the legality and validity of the offshore reorganization included in the pre-listing Reorganization between offshore entities of the Group, as such reorganization was conducted among the offshore entities directly and was conducted outside the PRC, therefore, our PRC legal advisors is

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## HISTORY AND REORGANIZATION

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of the view that such offshore reorganization shall not be subject to PRC laws including the M&A Rules.

To conclude, our PRC legal advisor is of the opinion that our Company has obtained all the requisite approvals, permits and licences for the Reorganization under the applicable laws and regulations in the PRC for its Listing, the pre-listing Reorganization did not violate the M&A Rules in all material respects and that it is not to be considered as a circumvention to the M&A Rules.

The Sole Sponsor has conducted due diligence in relation to the reorganization of Shenzhen Youkaisu, which includes (without limitation) the following steps:

- (i) discussing with the PRC legal advisor of the Company and the PRC legal advisor of the Underwriters to understand their legal analysis on the legality of the Reorganization and reviewed their respective PRC legal opinions;
- (ii) interviewing and discussing the reorganization of Shenzhen Youkaisu, with the representatives of the relevant PRC governmental authority granting the approval for the transfer of the equity interest in Shenzhen Youkaisu;
- (iii) reviewing the approval documents and underlying transaction documents relating to the equity transfer of Shenzhen Youkaisu in the reorganization process;
- (iv) conducting independent background searches and due diligence interviews with Mr. Lam and Mr. Cheung regarding the background to their involvement in the 25% Acquisition and the 75% Acquisition, and their independence from the Group and its controlling shareholders;
- (v) interviewing with the representatives of the banking institution which provided offshore banking facility to Yuen Ming and Kam Wang for the Group to acquire the equity interest in Shenzhen Youkaisu and reviewed the relevant loan facility documentation; and
- (vi) conducting many rounds of discussions with the management of the Group who was involved in the reorganization to understand the background, rationale, facts and legality of the reorganization of Shenzhen Youkaisu.

### ***Application of the Notice 50***

On May 23, 2007 MOFCOM and SAFE jointly issued the Notice Regarding Further Strengthening and Regulating the Approval and Supervision of Foreign Investment Real Estate Company (《商務部、國家外匯管理局關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (the “Notice 50”), which requires that foreign invested real estate companies newly approved and established after the date of issuance of the Notice 50 must comply with certain filing requirements with MOFCOM. In addition, the Notice 50 also requires that foreign invested real estate companies with property projects or property business newly added must also comply with the relevant approval requirements.

As advised by our PRC legal advisor, there is one company among our Group which are currently foreign-invested entity, namely Shenzhen Youkaisu. Shenzhen Yoikaisu however is not engaged in property business and the other companies within the Group are not foreign-invested real estate companies, accordingly, our PRC legal advisor is of opinion that the Notice 50 does not apply.

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### *Overall*

The Group's structure and reorganization was conducted in line with the relocation of our Group's headquarters to Shenzhen in 2008. Between the period from 1996 and 2008, the Group's property development business was headquartered in Shantou, PRC. To further develop the Group's property development business and to take advantage of the more developed economic and market environment in Shenzhen, we decided to move our headquarters of the Group from Shantou to Shenzhen in 2008. To minimize any possible interference from the local government regarding such inter-regional relocation, our Group effected the relocation by establishing a new company in Shenzhen as our new headquarter. Consequentially, we established Shenzhen Youkaisi on April 1, 2008.

Our PRC legal advisors, Haiwen & Partners, is of the opinion that the Group's structure and reorganization were driven by the Group's commercial consideration. Therefore, there is no situation which it shall be considered as a circumvention of the relevant PRC laws and regulations (including the Notice 50) by a foreign-invested property development enterprise.

Further, as advised by our PRC legal advisors, the Group's reorganization had been approved and/or acknowledged by the requisite PRC governmental authorities, including, the competent local counterpart of MOFCOM, SAIC and SAFE, respectively. Accordingly, our PRC legal advisor is of the view that each of the transfers as referred under the section entitled "History and Reorganization" in this prospectus was properly and legally completed and settled.