

HISTORY AND BACKGROUND OF THE TARGET GROUP

BUSINESS DEVELOPMENT

The history of the Target Group can be traced back to January 2005 when Mr. Shie and Mr. Tsoi acquired 45% and 55% of the issued share capital of the Target Company at a consideration of HK\$4,500,000 and HK\$5,500,000, respectively, by using their own funds. Both of Mr. Shie and Mr. Tsoi have extensive knowledge and experience in property development in the PRC. They became business partners and acquired the Target Company for the purpose of developing the Binjiang International Project. The Target Company held the entire equity interest in 福建省惠安縣中總商住區建設有限公司 (Fujian Huian China General Commercial & Residential Property Construction Company Limited*) (**“Fujian Huian Construction Company”**) which is a limited liability company established in the PRC.

In February 2006, Fujian Huian Construction Company merged with 福建惠安縣良波實業有限公司 (Fujian Huian Liangbo Property Company Limited*) (**“Huian Liangbo Company”**), a limited liability company established in the PRC, to form Hui An China General (the **“Merger”**). Prior to the Merger, Fujian Huian Construction Company was wholly-owned by the Target Company while Huian Liangbo Company was owned by Mr. Cai Jianliu and Mr. Hong Lianji as to 55% and 45% respectively. Mr. Cai Jianliu is the younger brother of Mr. Tsoi whereas Mr. Hong Lianji is an Independent Third Party. The Merger and the establishment of Hui An China General have been duly approved by the Quanzhou Foreign Trade and Economic Cooperation Bureau (泉州市對外貿易經濟合作局).

Fujian Huian Construction Company was engaged in the business of construction, sale and lease of properties and held the land use rights of four parcels of land of an aggregate site area of 63,217.4 sq.m. located in Huian County, Quanzhou, the Fujian Province. Huian Liangbo Company was engaged in the wholesale and retail business of mechanical equipment, metal products and domestic construction materials and held the land use rights of two parcels of land of an aggregate site area of 16,878 sq.m. located in Huian County, Quanzhou, the Fujian Province, which are adjacent to the land owned by Fujian Huian Construction Company.

As a result of the Merger, Hui An China General was established on 22 February 2006 and the entire equity interest of which was owned by the Target Company, Mr. Cai Jianliu and Mr. Hong Lianji as to 98.387%, 0.887% and 0.726%, respectively. Huian Liangbo Company and Fujian Huian Construction Company were duly deregistered on 15 February 2006 and 20 February 2006, respectively. Hui An China General acquired the land use rights owned by Fujian Huian Construction Company and Huian Liangbo Company through the Merger for the development of the Binjiang International Project. Hui An China General is principally engaged in the development and sale of properties and ancillary facilities in Huian County, Quanzhou, Fujian Province.

In February 2007, Hui An China General entered into a land acquisition agreement with the Bureau of Land and Resources of Huian County (惠安縣國土資源局) for purchase of a parcel of land of a site area of 1,273 sq.m. for developing the Binjiang International Project.

For the purpose of developing The Cullinan Bay Project, Yangzhou Dehui was established in August 2012. Subsequently, Hengde entered into a land acquisition agreement with the Bureau of Land and Resources of Yangzhou (揚州市國土資源局) for the acquisition of two parcels of land with an aggregate site area of 81,749.27 sq.m. for developing The Cullinan Bay

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Project. Pursuant to the land acquisition agreement, it was agreed that upon the establishment of Yangzhou Dehui, the land use rights certificate in relation to The Cullinan Bay Project could be registered under Yangzhou Dehui’s name.

Hui An China General and Yangzhou Dehui were established for the property development in Quanzhou and Yangzhou, respectively. Hui An China General is the residential property developer of the Binjiang International Project which is located in Quanzhou and the construction of which was commenced in April 2006. The construction of the Binjiang International Project was completed in January 2014. Yangzhou Dehui is the residential property developer of The Cullinan Bay Project which is located in Yangzhou and the construction of which was commenced in October 2013.

The following is a summary of the key milestones in the development of the Target Group’s property development projects:

Year	Event
January 2005	Acquisition of land held by Fujian Huian Construction Company through the acquisition of shares in the Target Company by Mr. Shie and Mr. Tsoi
February 2006	Acquisition of land for developing the Binjiang International Project through the Merger
April 2006 ⁽¹⁾	Commencement of the construction of Phase 1 of the Binjiang International Project
May 2006 ⁽¹⁾	Commencement of the construction of Phase 2 of the Binjiang International Project
August 2006 ⁽¹⁾	Commencement of the construction of Phase 3 of the Binjiang International Project
October 2006 ⁽³⁾	Commencement of the pre-sale of Phase 1 of the Binjiang International Project
February 2007	Entry into a land acquisition agreement by Hui An China General with the Bureau of Land and Resources of Huian County (惠安縣國土資源局) for the Binjiang International Project
December 2007 ⁽³⁾	Commencement of the pre-sale of Phase 2 and Phase 3 of the Binjiang International Project
May 2008 ⁽²⁾	Completion of the construction of Phase 1 of the Binjiang International Project
May 2009 ⁽²⁾	Completion of the construction of Phase 2 of the Binjiang International Project
August 2010 ⁽²⁾	Completion of the construction of Phase 3 of the Binjiang International Project

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Year	Event
October 2010 ⁽¹⁾	Commencement of the construction of Stage 1 of Phase 4 of the Binjiang International Project
June 2011 ⁽³⁾	Commencement of the pre-sale of Stage 1 of Phase 4 of the Binjiang International Project
February 2012 ⁽¹⁾	Commencement of the construction of Stage 2 of Phase 4 of the Binjiang International Project
August 2012	Entry into a land acquisition agreement by Hengde with the Bureau of Land and Resources of Yangzhou (揚州市國土資源局) for The Cullinan Bay Project
November 2012 ⁽³⁾	Commencement of the pre-sale of Stage 2 of Phase 4 of the Binjiang International Project
May 2013 ⁽²⁾	Completion of the construction of Stage 1 of Phase 4 of the Binjiang International Project
October 2013 ⁽¹⁾	Commencement of the construction of Stage 1 of Phase 1 of The Cullinan Bay Project
January 2014 ⁽²⁾	Completion of the construction of Stage 2 of Phase 4 of the Binjiang International Project
May 2014 ^(1&3)	Commencement of the construction of Stage 2 of Phase 1 of The Cullinan Bay Project
	Commencement of the pre-sale of Stage 1 of Phase 1 of The Cullinan Bay Project
May 2015 ⁽²⁾	Completion of the construction of Stage 1 of Phase 1 of The Cullinan Bay Project
July 2015 ⁽³⁾	Commencement of pre-sale of Stage 2 of Phase 1 of The Cullinan Bay Project

Notes:

1. It refers to the date when construction of the first residential building of such stage/phase of the project is commenced.
2. It refers to the date when construction of the last residential building of such stage/phase of the project is completed. For avoidance of doubt, completion of construction takes place when examination of properties is passed.
3. It refers to the date when the pre-sale permit of the first residential building of such stage/phase of the project is issued.

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CORPORATE DEVELOPMENT

Target Company

The Target Company was incorporated in Hong Kong on 1 September 1992 as a limited liability company with an authorised share capital of HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each. It is an investment holding company.

On 1 September 1992, Asiaworld Internationale Group Inc. and Pan Ching Ru (as initial subscribers and both being Independent Third Parties) subscribed for 5,500,000 shares and 4,500,000 shares of the Target Company respectively.

On 5 July 2004, Asiaworld Internationale Group Inc. and Pan Ching Ru transferred 5,500,000 shares and 4,500,000 shares of the Target Company to Guo Tingzhi and Guo Jingqing (both being Independent Third Parties) for a consideration of HK\$5,500,000 and HK\$4,500,000, respectively. As a result, the entire issued share capital of the Target Company was held by Guo Tingzhi (as to 55%) and Guo Jingqing (as to 45%) respectively.

On 5 November 2004, Guo Tingzhi and Guo Jingqing transferred 2,500,000 shares and 4,500,000 shares of the Target Company to China Money International Limited (being an Independent Third Party) for a consideration of HK\$2,500,000 and HK\$4,500,000, respectively. As a result, the entire issued share capital of the Target Company was held by Guo Tingzhi (as to 30%) and China Money International Limited (as to 70%) respectively.

On 17 January 2005, China Money International Limited transferred 4,500,000 shares of the Target Company to Mr. Shie for a consideration of HK\$4,500,000, which was determined with reference to the par value of the shares in the Target Company. On the same date, China Money International Limited and Guo Tingzhi transferred 2,500,000 shares and 3,000,000 shares of the Target Company to Mr. Tsoi, for a consideration of HK\$2,500,000 and HK\$3,000,000, respectively, which were determined with reference to the par value of the shares in the Target Company. As a result, the entire issued share capital of the Target Company was held by Mr. Tsoi (as to 55%) and Mr. Shie (as to 45%) respectively. The above-mentioned transfers of shares in the Target Company were properly and legally completed and settled.

Hui An China General

Hui An China General was established in the PRC on 22 February 2006 as a limited liability company by way of the Merger. As a result of the Merger, the entire equity interest of Hui An China General was owned by the Target Company, Mr. Cai Jianliu and Mr. Hong Lianji as to 98.387%, 0.887% and 0.726% respectively. Mr. Cai Jianliu is the younger brother of Mr. Tsoi while Mr. Hong Lianji is an Independent Third Party.

The PRC Legal Advisers confirmed that the registered capital of Hui An China General has been fully paid up and Huian Liangbo Company and Fujian Huian Construction Company were duly deregistered on 15 February 2006 and 20 February 2006, respectively.

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Houde Enterprise

Houde Enterprise was established in the PRC on 20 August 2014 as a limited liability company. The registered capital of Houde Enterprise is RMB10,000,000, the entire amount of which was contributed by cash by Hui An China General.

The PRC Legal Advisers confirmed that the registered capital of Houde Enterprise has been fully paid up.

Hengde

Hengde was established in the PRC on 2 July 2012 as a limited liability company. The entire registered capital of Hengde of RMB10,000,000 was contributed in cash by 福建建弘投資有限公司 (Fujian Jianhong Investment Company Limited*) (“**Jianhong Investment**”), which is a limited liability company established in the PRC and was an investment holding company indirectly held by Mr. Shie and Mr. Tsoi. Hengde is principally engaged in project investment.

The PRC Legal Advisers confirmed that the registered capital of Hengde has been fully paid up.

Yangzhou Dehui

Yangzhou Dehui was established in the PRC on 17 August 2012 as a limited liability company. It is principally engaged in the development and sale of properties and construction of ancillary facilities. The initial registered capital of Yangzhou Dehui is RMB50,000,000, of which RMB9,900,000 and RMB100,000 was contributed in cash by Hengde and 揚州德輝置業有限公司 (Yangzhou Dehui Property Company Limited*) (“**Yangzhou Property Company**”) on 16 August 2012.

On 20 October 2012, Yangzhou Property Company transferred 1% of the equity interest in Yangzhou Dehui to Hengde for a consideration of RMB100,000, which was determined with reference to the actual amount of registered capital of the Yangzhou Dehui contributed by Yangzhou Property Company at the time when the equity interest was transferred. Upon completion of the transfer, the entire equity interest in Yangzhou Dehui was held by Hengde.

The PRC Legal Advisers confirmed that the above-mentioned transfer of equity interest in Yangzhou Dehui was properly and legally completed and settled.

On 22 October 2012, the remaining balance of the registered capital of Yangzhou Dehui of RMB40,000,000 was contributed in cash by Hengde.

On 22 February 2013, the registered capital of Yangzhou Dehui increased from RMB50,000,000 to RMB83,000,000. The additional registered capital of RMB33,000,000 was contributed in cash by Hengde.

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On 12 March 2013, the registered capital of Yangzhou Dehui further increased from RMB83,000,000 to RMB100,000,000. The additional registered capital of RMB17,000,000 was contributed in cash by Hengde.

On 24 November 2014, the registered capital of Yangzhou Dehui further increased from RMB100,000,000 to RMB388,000,000. The additional registered capital of RMB288,000,000 was contributed by Hengde through debt-to-equity swap.

The PRC Legal Advisers confirmed that the registered capital of Yangzhou Dehui has been fully paid up.

Yangzhou Detai

Yangzhou Detai was established in the PRC on 2 September 2013 as a limited liability company. It is principally engaged in the provision of property management service. The entire registered capital of Yangzhou Detai of RMB1,000,000 was contributed in cash by Yangzhou Dehui.

The PRC Legal Advisers confirmed that the registered capital of Yangzhou Detai has been fully paid up.

REORGANISATION

In preparation of the Acquisition, the Target Group has carried out the following restructuring steps:

(1) Establishment of Houde Enterprise

Houde Enterprise was established as a limited liability company under the laws of the PRC on 20 August 2014. The registered capital of Houde Enterprise is RMB10,000,000. The sole shareholder of Houde Enterprise is Hui An China General.

(2) Acquisition of the entire equity interest in Hengde by Houde Enterprise

On 9 October 2014, Jianhong Investment (as seller) and Houde Enterprise (as purchaser) entered into an equity transfer agreement, pursuant to which Jianhong Investment transferred the entire equity interest in Hengde to Houde Enterprise at a consideration of RMB10,000,000, which was determined with reference to the registered capital of Hengde. The consideration was settled in cash.

Upon completion of the transfer of equity interest in Hengde as contemplated under the above-mentioned transfer on 9 October 2014, the entire equity interest in Hengde was held by Houde Enterprise. As advised by the PRC Legal Advisers, such transfer of equity interest was legally and properly completed and settled.

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(3) Assignment of loans to the Target Company by the Vendors

On 23 October 2014, the Target Company and the Vendors entered into a deed of assignment (the “**Deed of Assignment**”), pursuant to which Mr. Shie and Mr. Tsoi assigned their interests, rights and benefits in certain loans due from Hengde in the amount of approximately RMB207,955,000 (equivalent to approximately HK\$264,103,000) and RMB170,145,000 (equivalent to approximately HK\$216,084,000), respectively, to the Target Company in consideration for the allotment and issue of 5,500,000 shares and 45,000,000 shares of the Target Company, respectively. The aforesaid consideration shares were allotted and issued to Mr. Shie and Mr. Tsoi on 23 October 2014.

Upon the allotment and issue of the consideration shares as contemplated under the Deed of Assignment, the entire issued share capital of the Target Company was held by Mr. Shie and Mr. Tsoi as to 50% each.

(4) Incorporation of Fame Build and Talent Connect

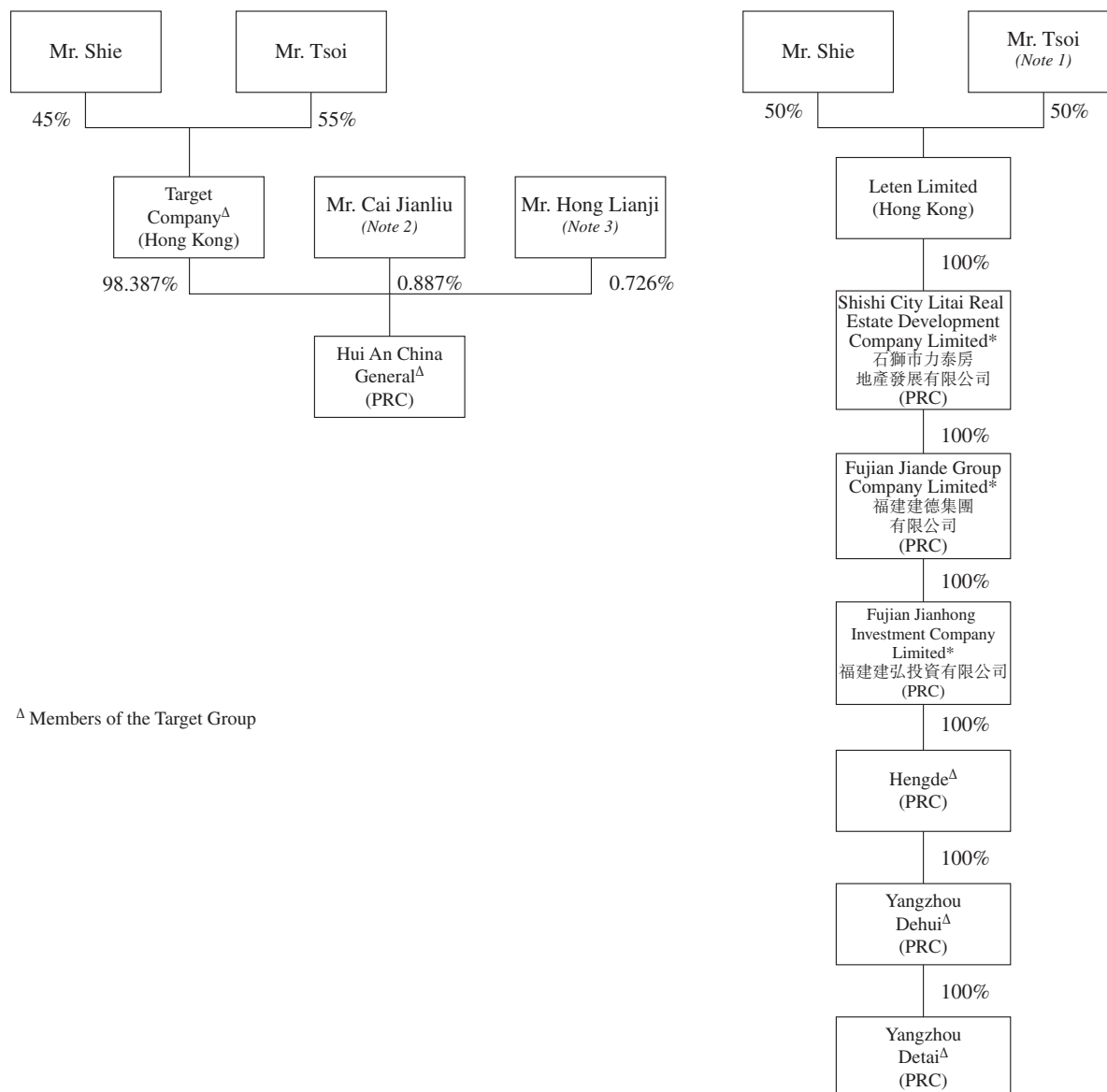
Fame Build was incorporated in the British Virgin Islands on 16 June 2014 as a limited liability company with a maximum of 50,000 shares of US\$1.00 each. It is an investment holding company. On 23 October 2014, Mr. Shie subscribed one share of Fame Build, being the total number of issued share of Fame Build.

Talent Connect was incorporated in the British Virgin Islands on 13 June 2014 as a limited liability company with a maximum of 50,000 shares of US\$1.00 each. It is an investment holding company. On 23 October 2014, Mr. Tsoi subscribed one share of Talent Connect, being the total number of issued share of Talent Connect.

Fame Build and Talent Connect will be used to hold the Consideration Shares to be issued by the Company pursuant to the Acquisition.

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The following chart sets out the corporate and shareholding structure of the Target Group before the completion of the restructuring in preparation for the Acquisition:



^Δ Members of the Target Group

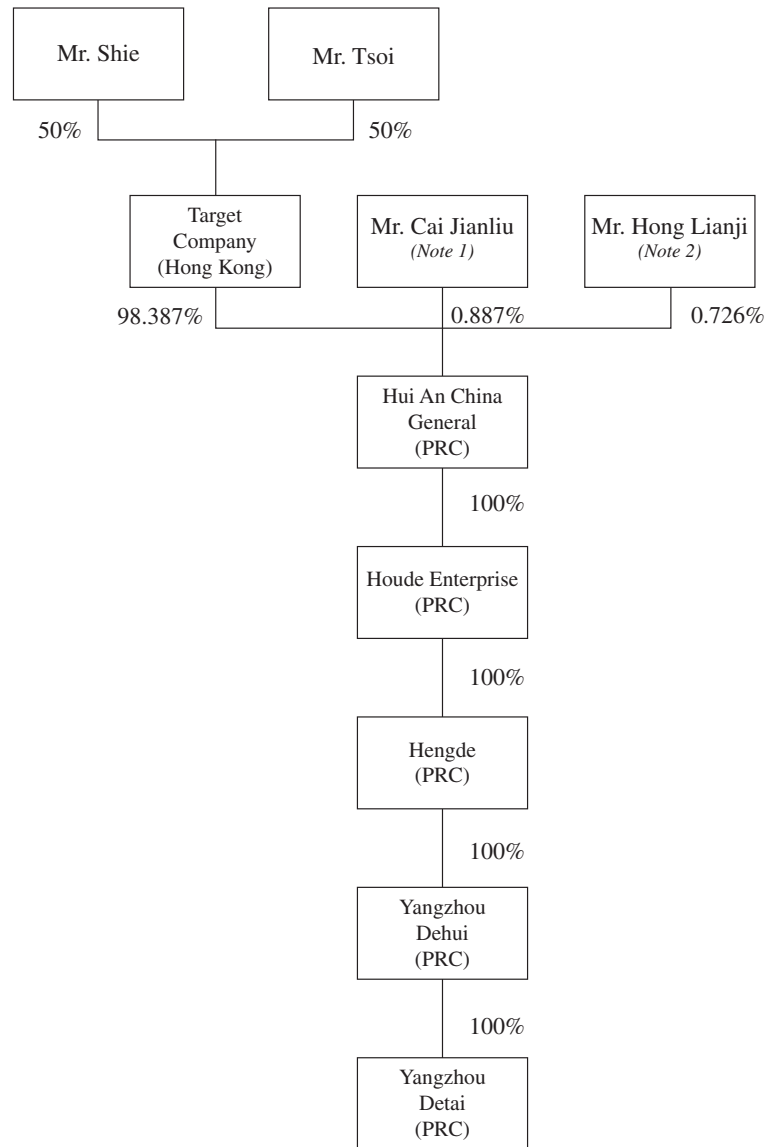
Note 1: The shares of Leten Limited were held on trust by Ms. Tse Lai Fung, the wife of Mr. Tsoi, in favour of Mr. Tsoi.

Note 2: Mr. Cai Jianliu is the younger brother of Mr. Tsoi.

Note 3: Mr. Hong Lianji is an Independent Third Party.

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The following chart sets out the corporate and shareholding structure of the Target Group after the completion of the restructuring in preparation for the Acquisition:

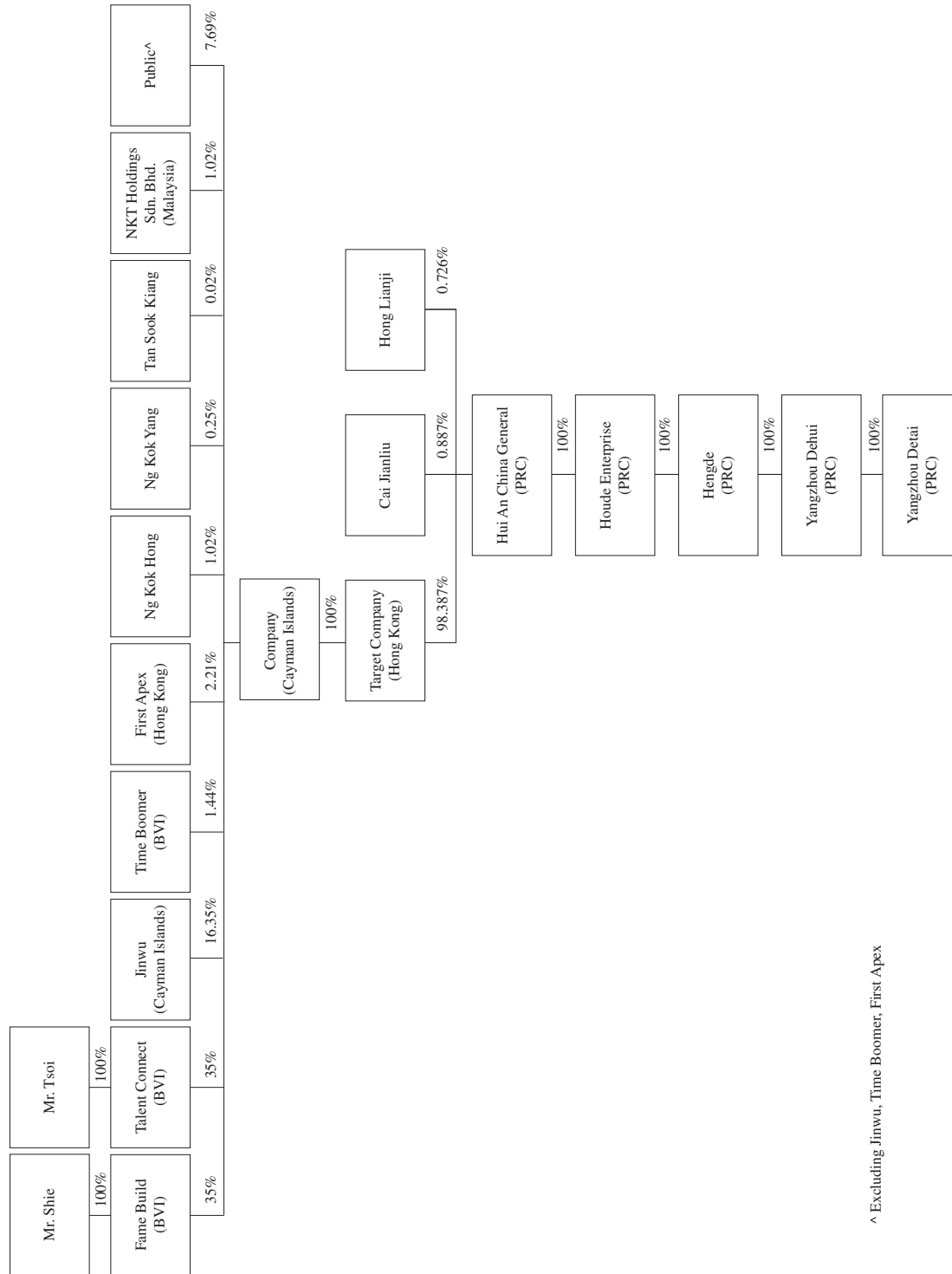


Note 1: Mr. Cai Jianliu is the younger brother of Mr. Tsoi.

Note 2: Mr. Hong Lianji is an Independent Third Party.

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The following chart sets out the corporate and shareholding structure of the Target Group after the Proposed Restructuring assuming all the Existing Shareholders subscribe for the [REDACTED]:



^ Excluding Jinwu, Time Boomer, First Apex

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COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

As advised by the PRC Legal Advisers, the establishment and each change in the equity interests of the Target Group have obtained necessary approval and registration (if required) and have complied with the relevant PRC legal requirements.

M&A Rules

On 8 August 2006, the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) was jointly promulgated by six ministries and commissions, including, among others, MOFCOM, CSRC and SAFE, implemented on 8 September 2006 and amended on 22 June 2009 by MOFCOM.

According to Article 2 of the M&A Rules, “merger and acquisition of domestic enterprises by foreign investors” referred to in the M&A Rules shall mean that a foreign investor purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (“**domestic company**”) or subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise (“**merger and acquisition of equity interest**”); or, a foreign investor establishes a foreign-invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or, a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets (“**merger and acquisition of assets**”). According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or individual in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual shall be subject to examination and approval by MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

Hui An China General was directly established by the Target Company, which is a company incorporated in Hong Kong. As advised by the PRC Legal Advisers, since the mere establishment of Hui An China General did not involve any acquisition of equity interest in domestic non-foreign-invested enterprises by foreign investors or any acquisition of assets of domestic enterprises by foreign investors through foreign-invested enterprises, the M&A Rules did not apply and no approval or consent from the CSRC or any other PRC government authority is required in relation to the Acquisition and the restructuring in preparation of the Acquisition. Thus, no consultation with the CSRC was conducted by the PRC Legal Advisers.

SAFE Registration

On 21 October 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (《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 “**Circular 75**”), according to which, a PRC resident who establishes or takes control of a special purpose company abroad to effect foreign exchange registration with local foreign exchange bureau. While injecting

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assets or equity interests that a domestic resident owns in a domestic enterprise into a special purpose company abroad (the “**SPV**”), or carrying out offshore equity financing after injecting such assets or equities into such SPV, a domestic resident shall amend the registration of offshore investment related foreign exchange to reflect the net assets or equity interests that he/she holds in the SPV. Circular 75 has been repealed by the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) on 14 July 2014. Pursuant to the Circular 37, which was promulgated by the SAFE and became effective on 14 July 2014, a PRC citizen residing in the PRC (a “**PRC Resident**”) must register with the local branch of SAFE before he contributes assets or equity interests in an overseas special purpose vehicle, which is directly established or controlled by the PRC Resident for the purpose of overseas investment or financing. As advised by the PRC Legal Advisers, both of the Circular 75 and the Circular 37 did not apply because Mr. Shie and Mr. Tsoi are not PRC residents or citizens.