
HISTORY, REORGANISATION AND GROUP STRUCTURE

General

We were incorporated in the Cayman Islands on 27 July 2007, and as a part of the Reorganisation, became the ultimate holding company of our various subsidiaries. As of the date of this document, we are 99.3% indirectly owned by the Founder through his wholly-owned company, Best Era, and 0.3878% directly owned by DESCIA, 0.2072% owned by affiliates of Goldman Sachs, 0.091% owned by Euro Crown Limited and 0.014% owned by DB. Through certain holding companies and wholly foreign owned enterprises, we own 100% of our PRC operating subsidiaries. Our operating subsidiaries principally engage in property development operations in the PRC.

History and development

In 1996, the Founder founded our Group. He, together with our key management, namely Mr. Yan Zhi Rong (an executive Director) and Mr. Fang Shi Min (a member of senior management) commenced our real estate business in Shanghai with our first development project, Sunshine Greenland in Xuhui District, Shanghai. We subsequently began developing properties the Tianjin in 2003 with the Sunshine Holiday project. Since the commencement of our property development business, we completed development of 20 projects/phases in Shanghai, Tianjin, Wuxi, Shenyang and Suzhou, with approximately 2.8 million sq.m. of total GFA sold and delivered. As of 31 July 2009, we had 19 projects in various phases of development in Shanghai, Tianjin, Beijing, Wuxi, Suzhou, Nantong, Hefei, Shenyang and Harbin, which include residential, retail, offices and hotel properties.

We have received a number of awards for our projects. Our residential development project, Sunshine Holiday in Tianjin, was awarded the China Real Estate Gold Housing Award in 2006 and the Award for Best Sales Property in Tianjin in 2005. Another residential development project, No. 1 City Promotion in Wuxi, was designated by the Friends of the United Nations (聯合國友好理事會) and United Nations Human Settlement Programme (聯合國人居署) as an “International Culture Community” and recognised as one of the Top 10 Famous Properties in the PRC in 2007. For further details of our recent awards, please refer to the section headed “Business — Competitive Strengths — Innovative Product Design”.

Significant milestones in our history are set out below:

January 1996.....	Development commenced for our first property project in Shanghai, Sunshine Greenland
May 1998	Development commenced for our second property project in Shanghai, Sunshine Villa
June 2001	Development commenced for Sunshine Venice in Shanghai
May 2003	Development commenced for our first property project in Tianjin, Sunshine Holiday

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September 2004	Development commenced for our first property project in Wuxi, No. 1 City Promotion
March 2005.....	Development commenced for our first property project in Suzhou, Classical Life
June 2005	Development commenced for our first property project in Shenyang, Sunny Town
June 2007	Completion of acquisition of regional companies by our wholly-owned foreign enterprises and acquisition of project companies by our regional companies in the PRC
July 2007.....	Our Company was incorporated in the Cayman Islands as a limited liability company
October 2007	DESCIA, certain affiliates of Goldman Sachs and DB became shareholders of our Company
January 2008.....	Our Company was awarded Property Company of the Year 2007 with Remarkable Contributions to the Urban Development of Shanghai, China by the Organising Committee of Zhuyu Dichan Grand Ceremony (主語地產盛典組委會)
March 2009.....	Development commenced for our first property project in Hefei, Hefei Villa Glorious
July 2009.....	Development commenced for our first property project in Harbin, Harbin Villa Glorious

Corporate Reorganisation

In 2007, our Group commenced the Reorganisation, which consisted of the following steps:

(a) *Establishment/Acquisition of BVI and Hong Kong companies to acquire interests of wholly foreign owned enterprises*

The BVI Subsidiaries, namely Allied Honest, East Harbour, Vieward Group, Regal World and Grand Target were incorporated. The BVI Subsidiaries are wholly-owned by Bright New, a BVI company established by Best Era.

The HK Subsidiaries, namely Rich Tech, Extreme Asia, Venture Group, Worldex Investment and Cheston Holdings were incorporated. The HK Subsidiaries are wholly-owned by the above stated BVI Subsidiaries, respectively.

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The HK Subsidiaries acquired all the interest in the registered capital of the wholly foreign owned enterprises from their respective then existing shareholders, all of whom are independent third parties having no past or present relationship with our Group, directors, shareholders, senior management or their respective associates, on the dates and for the consideration set forth in the following table.

Acquiring HK Subsidiary	Wholly foreign owned enterprise <i>(Note 1)</i>	Name of shareholder	Interest acquired	Consideration <i>(Note 2)</i>	Basis of consideration <i>(Note 7)</i>	Acquisition date
Rich Tech	Fuda Nantong	Australia-Asia Investment Group Pty Ltd	100%	Nil <i>(Note 3)</i>	N.A.	18 May 2007
Extreme Asia	Yonghe Nantong	Hai Ji International Investment (HK) Limited	100%	US\$5,149,948 <i>(Note 4)</i>	Registered capital	18 May 2007
Worldex Investment	Henghui Nantong	American Weider International Investment Limited	100%	US\$4,399,929 <i>(Note 5)</i>	Registered capital	18 May 2007
Venture Group	Fusheng Nantong	Hang Seng International (Holdings) Investment Limited	99%	Nil <i>(Note 3)</i>	N.A.	22 May 2007
Venture Group	Fusheng Nantong	Shanghai Long Green Real Estate Development Co., Ltd. (上海常綠房地產開發有限公司)	1%	Nil <i>(Note 3)</i>	N.A.	22 May 2007
Cheston Holdings	Zhuo Yi Nantong	Million Rich Construction Engineering Limited	100%	Nil <i>(Note 3)</i>	N.A.	22 May 2007
Extreme Asia	Nantong Jigui	HK Yifeng International Development Co., Ltd.	100%	Nil <i>(Note 3)</i>	N.A.	24 May 2007
Cheston Holdings	Nantong Jiangle	HK Prosper Industry & Trading Limited	100%	Nil <i>(Note 3)</i>	N.A.	24 May 2007
Rich Tech	Nantong Lehua	HK Prosper Industry & Trading Limited	100%	Nil <i>(Note 3)</i>	N.A.	24 May 2007
Worldex Investment	Nantong Huangshi Hui	American Weider International Investment Limited	100%	US\$2,299,990 <i>(Note 6)</i>	Registered capital	24 May 2007

Note 1: All of the wholly foreign owned enterprises had not commenced operation of business at the time of acquisition by our Group.

Note 2: The total amount of consideration paid by the HK Subsidiaries to the selling shareholders in respect of three of the wholly foreign owned enterprises with partially paid-up capital was US\$11,849,867. The HK Subsidiaries were also required to pay to the wholly foreign owned enterprises their unpaid registered capital in the aggregate amount of US\$154,190,133 at the time of acquisition. The total consideration payable by the HK Subsidiaries in respect of the acquisition of the nine wholly foreign owned enterprises was therefore US\$166,040,000.

Note 3: At the time of acquisition, the registered capital of the wholly foreign owned enterprise remained unpaid. The HK Subsidiary acquired 100% of the registered capital from the selling shareholder for nil consideration, and the HK Subsidiary became responsible for paying up 100% of the registered capital of the wholly foreign owned enterprise.

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Note 4: At the time of acquisition, the selling shareholder had paid an aggregate amount of US\$5,149,948 to the registered capital of Yonghe Nantong. Extreme Asia acquired 100% of the registered capital of Yonghe Nantong from the selling shareholder for a consideration of US\$5,149,948 and became responsible for paying up the remaining unpaid portion of the registered capital of Yonghe Nantong.

Note 5: At the time of acquisition, the selling shareholder had paid an aggregate of US\$4,399,929 to the registered capital of Henghui Nantong. Worldex Investment acquired 100% of the registered capital of Henghui Nantong from the selling shareholder for a consideration of US\$4,399,929 and became responsible for paying up the remaining unpaid portion of the registered capital of Henghui Nantong.

Note 6: At the time of acquisition, the selling shareholder had paid an aggregate of US\$2,299,990 to the registered capital of Nantong Huangshi Hui. Worldex Investment acquired 100% of the registered capital of Nantong Huangshi Hui from the selling shareholder for a consideration of US\$2,299,990 and became responsible for paying up the remaining unpaid portion of the registered capital of Nantong Huangshi Hui.

Note 7: The unpaid portion of the registered capital of all the wholly foreign owned enterprises were paid by our HK Subsidiaries using the net proceeds from our issuance of the Original Notes to the Investors, the details of which are set out in the paragraph headed “Financing” below.

Save for Zhuo Yi Nantong, all the wholly foreign owned enterprises have increased their registered capital subsequent to our acquisitions. The increases in the registered capital have been fully paid up by the HK Subsidiaries using the net proceeds from our issuance of the Notes, and new business licenses for the wholly foreign owned enterprises have been issued by the relevant PRC authorities. Our PRC legal counsel has advised that all the approvals for the acquisitions of the wholly foreign owned enterprises by the HK Subsidiaries and the capital increases have been obtained.

(b) Acquisition of project companies by regional companies

Pursuant to the Reorganisation, the regional companies, namely, Shanghai Yijing, Tianjin Yangguang Xindi and Wuxi Wangjiarui, acquired all of the equity interests of the project companies from the Founder, nominee shareholders (which include our Directors, employees of our Group, relatives of the Founder and companies controlled by the Founder) holding interests on behalf of the Founder or companies beneficially owned by the Founder, on the dates and for the consideration set forth in the following table. The consideration for the acquisitions of the project companies were settled in cash. Our PRC legal counsel has advised that all required approvals for the acquisitions of the project companies by our regional companies have been obtained. Each of the nominee shareholders of the project companies had executed a trust agreement (委託持股協議書) and supplemental trust agreement (if any) in favour of the Founder. The Founder had entered into the trust agreements with the nominee shareholders for the following reasons: (i) the then PRC regulatory requirements required a company to have at least two equity holders; (ii) as our Group was undergoing rapid development, the Founder chose to focus on the strategic planning of our Group so that the registered holders could then handle the administrative filing work on his behalf, as he traveled widely in the PRC and Hong Kong very frequently for business purposes; and (iii) prior to the completion of our Reorganisation, there was not a single holding company or several holding companies ultimately

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holding the interests in our regional companies and project companies such that the holding companies could do the administrative filings under a centralised structure, the trust arrangements between the Founder and various registered holders could ensure proper corporate filings and other administrative procedures were completed in a timely and efficient manner. Our PRC legal counsel opined that the nominee arrangements were valid and binding under the PRC laws.

Acquiring regional company	Project company	Interest acquired	Cash consideration (Note 1)	Acquisition date
Shanghai Yijing	Shanghai Shengtong	100%	RMB19,890,290.86	5 June 2007
	Shanghai Anshun	100%	RMB195,878,965.52	1 June 2007
	Shanghai Xintai (Note 2)	81.25%	RMB656,110,404.19	18 June 2007
	Shanghai Haosen (Note 3)	12.50%	RMB15,958,042.36	21 June 2007
Tianjin Yangguang Xindi	Beijing Yangguang Xindi	100%	RMB21,492,428.67	25 May 2007
	Beijing Hetian Hexin	100%	RMB30,013,561.54	18 May 2007
	Tianjin Hongyun (Note 4)	0.91%	RMB790,746.21	27 June 2007
Wuxi Wangjiarui	Suzhou Hongsheng	100%	RMB24,498,974.67	21 May 2007
	Nantong Zhuowei	100%	RMB80,000,000.00	21 May 2007

Notes:

- (1) The consideration for the transfers was determined by reference to the appraised net asset value of the relevant project company as of 31 May 2007.
- (2) Shanghai Yijing already owned the remaining 18.75% of Shanghai Xintai prior to the acquisition.
- (3) Shanghai Yijing already owned the remaining 87.50% of Shanghai Haosen prior to the acquisition.
- (4) Tianjin Yangguang Xindi already owned the remaining 99.09% of Tianjin Hongyun prior to the acquisition.

(c) Acquisition of regional companies by wholly foreign owned enterprises

Pursuant to the Reorganisation, the wholly foreign owned enterprises acquired all of the equity interests of the regional companies, namely, Shanghai Yijing, Tianjin Yangguang Xindi, Wuxi Wangjiarui and Liaoning Yangguang Xindi, from the Founder, nominee shareholders (which include our Directors, employees of our Group, relatives of the Founder and companies controlled by the Founder) holding interests on behalf of the Founder or a company beneficially owned by the Founder, on the dates and for the consideration set forth in the following table. The consideration for the acquisitions of the regional companies were settled in cash. Our PRC legal counsel has advised that all the required approvals for the acquisitions of the regional companies by our wholly foreign owned enterprises have been obtained. Each of the nominee shareholders of the regional companies had executed a trust agreement (委託持股協議書) and supplemental trust agreement (if any) in favour of the Founder. The Founder had entered into the trust agreements with the nominee shareholders because of the following reasons: (i) the then PRC regulatory requirements required a company to have at least two equity holders; (ii) as our Group was undergoing rapid development, the Founder chose to focus on the strategic planning of our Group so that the registered holders could then handle the administrative filing work on his behalf, as he traveled widely in the PRC and Hong Kong very

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frequently for business purposes; and (iii) prior to the completion of our Reorganisation, there was not a single holding company or several holding companies ultimately holding the interests in our regional companies and project companies such that the holding companies could do the administrative filings under a centralised structure, the trust arrangements between the Founder and various registered holders could ensure proper corporate filings and other administrative procedures were completed in a timely and efficient manner. Our PRC legal counsel opined that the nominee arrangements were valid and binding under the PRC laws.

Regional company	Acquiring wholly foreign owned enterprise	Interest acquired	Cash consideration (Note)	Acquisition date
Shanghai Yijing	Nantong Jigui	10%	RMB53,756,747.16	21 June 2007
	Henghui Nantong	54.8%	RMB294,586,974.45	21 June 2007
	Fusheng Nantong	35.2%	RMB189,223,749.99	21 June 2007
Tianjin Yangguang Xindi	Yonghe Nantong	71.2%	RMB184,413,209.85	18 June 2007
	Nantong Huangshi Hui	28.8%	RMB74,594,107.35	18 June 2007
Wuxi Wangjiarui	Fuda Nantong	57.15%	RMB214,943,985.46	21 June 2007
	Zhuo Yi Nantong	42.85%	RMB161,160,975.98	21 June 2007
Liaoning Yangguang Xindi	Nantong Jiangle	80%	RMB93,072,001.98	26 June 2007
	Nantong Lehua	20%	RMB23,268,000.49	26 June 2007

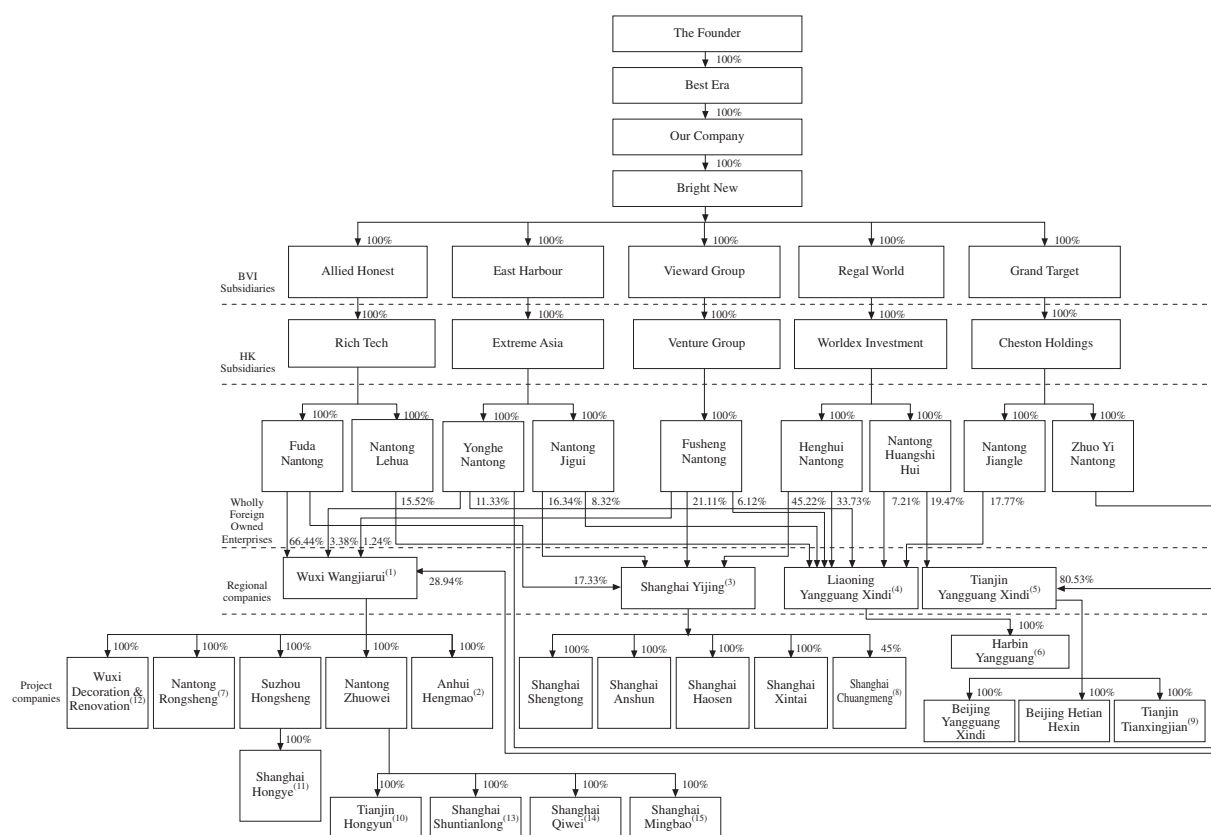
Note: The consideration of the transfers was determined by reference to the appraised net asset value of the relevant regional company as of 31 May 2007.

(d) *Incorporation of our Company to acquire and hold equity interests in our Group*

Our Company was incorporated in the Cayman Islands on 27 July 2007. One nil-paid share of par value HK\$0.10 each was allotted and issued to Codan Trust Company (Cayman) Limited and such share was transferred to Best Era on the same date and subsequently paid up. 99 shares of par value HK\$0.10 each were also allotted and issued to Best Era on 27 July 2007 and subsequently paid up. On 17 September 2007, Best Era transferred 50,000 shares of Bright New to us, representing the entire issued share capital of Bright New, in consideration of (i) the crediting as fully paid at par of the 100 nil paid shares registered in the name of Best Era, and (ii) the allotment and issue of 900 shares of par value HK\$0.10 each, credited as fully paid up, to Best Era. On 18 October 2007, 999,000 shares of par value HK\$0.10 each were allotted and issued to Best Era for cash at par, and on the same date, every issued and unissued share of par value HK\$0.10 each was sub-divided into 10 Shares of HK\$0.01 each, such that we had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Best Era held 10,000,000 Shares after the sub-division of Shares. On 2 November 2007, the authorised share capital of our Company was increased from HK\$380,000 to HK\$3,800,000 and on 17 June 2008, the authorised share capital was further increased to HK\$380,000,000.

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The corporate structure of the companies of our Group after the completion of the Reorganisation was as follows:



Notes:

- (1) On 16 November 2007, the registered capital of Wuxi Wangjiarui was increased from RMB350,000,000 to RMB739,830,227. After the increase of the registered capital, the company was held as to 59.4% by Fuda Nantong, 35.28% by Zhuo Yi Nantong, 2.01% by Fusheng Nantong and 3.31% by Yonghe Nantong. On 9 January 2008, the registered capital of the company was further increased to RMB1,197,911,767 and its equity interests were held as to 66.44% by Fuda Nantong, 28.94% by Zhuo Yi Nantong, 1.24% by Fusheng Nantong and 3.38% by Yonghe Nantong. The increase in the registered capital of Wuxi Wangjiarui has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.
- (2) Anhui Hengmao was established by Wuxi Wangjiarui in the PRC on 24 October 2007.
- (3) On 14 January 2008, the registered capital of Shanghai Yijing was increased from RMB50,000,000 to RMB563,587,214. After the increase of the registered capital, the company was held as to 16.34% by Nantong Jigui, 45.22% by Henghui Nantong, 21.11% by Fusheng Nantong and 17.33% by Fuda Nantong. The increase in the registered capital of Shanghai Yijing has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.
- (4) On 16 November 2007, the registered capital of Liaoning Yangguang Xindi was increased from RMB50,000,000 to RMB796,515,500. After the increase of the registered capital, the company was held as to 18.99% by Nantong Jiangle, 15.22% by Nantong Lehua, 10.24% by Fusheng Nantong, 29.54% by Henghui Nantong, 13.94% by Nantong Jigui and 12.07% by Nantong Huangshi Hui. On 7 January 2008, the registered capital of Liaoning Yangguang Xindi was further increased to RMB1,333,502,300. After the increase of the registered capital, the company was held as to 17.77% by Nantong Jiangle, 15.52% by Nantong Lehua, 6.12% by Fusheng Nantong, 33.73% by Henghui Nantong, 8.32% by Nantong Jigui, 7.21% by Nantong Huangshi Hui and 11.33% by Yonghe Nantong. The increase in the registered capital of Liaoning Yangguang Xindi has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.

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- (5) On 10 January 2008, the registered capital of Tianjin Yangguang Xindi was increased from RMB448,143,370 to RMB806,039,565. After the increase of the registered capital, the company was held as to 80.53% by Yonghe Nantong and 19.47% by Nantong Huangshi Hui. The increase in the registered capital of Tianjin Yangguang Xindi has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.
- (6) Harbin Yangguang was established by Liaoning Yangguang Xindi in the PRC on 19 December 2007.
- (7) On 6 March 2008, Nantong Rongsheng was acquired by Wuxi Wangjiarui from Jiangsu Rongsheng Investment Group Co., Ltd. (江蘇熔盛投資集團有限公司), a company controlled by the Founder, for a consideration of RMB31,803,400. The consideration was determined by reference to the appraised net asset value of Nantong Rongsheng as of 20 February 2008.
- (8) On 9 May 2008, Shanghai Yijing acquired a 45% equity interest in Shanghai Chuangmeng from the Founder for a consideration of RMB4,500,000. The consideration was determined by reference to the registered capital of Shanghai Chuangmeng at the time of acquisition.
- (9) On 13 March 2008, Tianjin Tianxingjian was acquired by Tianjin Yangguang Xindi from Tianjin City Kaixiang Steel Trading Co.,Ltd. (天津市凱祥鋼材貿易有限公司), an independent third party, for a consideration of RMB388,000,000. The consideration was determined by reference to the preliminary valuation of a piece of land held by Tianjin Tianxingjian at the time of signing of the agreement. On 14 August 2008, Tianjin Yangguan Xindi and Tianjin City Kaixiang Steel Trading Co.,Ltd. (天津市凱祥鋼材貿易有限公司) signed a supplemental agreement, pursuant to which the parties agreed to change the consideration to RMB454,180,000, which amount was determined based on the market value of the land on or about the settlement date.
- (10) On 25 November 2008, Tianjin Hongyun was acquired by Nantong Zhuowei from Tianjin Yangguan Xindi for a consideration of RMB88,000,000. The consideration was determined by reference to the registered capital of Tianjin Hongyun at the time of acquisition.
- (11) On 7 April 2008, Shanghai Hongye was established by Wuxi Wangjiarui. On 9 May 2008, Shanghai Hongye was acquired by Suzhou Hongsheng from Wuxi Wangjiarui for a consideration of RMB50,000,000. The consideration was determined by reference to the registered capital of Shanghai Hongye at the time of acquisition.
- (12) Wuxi Decoration & Renovation was established by Wuxi Wangjiarui in the PRC on 13 May 2008.
- (13) Shanghai Shuntianlong was established by Nantong Zhuowei in the PRC on 14 November 2008.
- (14) On 24 September 2008, Shanghai Qiwei was established by Shanghai Xintai. On 24 October 2008, Shanghai Qiwei was acquired by Nantong Zhuowei from Shanghai Xintai for a consideration of RMB5,000,000. The consideration was determined by reference to the registered capital of Shanghai Qiwei at the time of acquisition.
- (15) On 15 December 2008, Shanghai Mingbao was acquired by Nantong Zhuowei from Shi Xiaolei (施曉蕾) and Shi Xiaoyu (施曉宇), both are independent third parties, for an aggregate consideration of RMB2,500,000. The consideration was determined after arm’s length negotiation between the parties.

Financing

Issuance of registered promissory notes

In November and December 2007, we issued promissory notes to the Original Investors in a total aggregate principal amount of approximately RMB 3,717.4 million (the “Original Notes”) and received US\$ 495.7 million in proceeds therefrom. The entire principal amount of the Original Notes was payable on 2 November 2009. Prior to redemption, interest accrued on the Original Notes at the rate of 10% per annum and was payable semi annually on 2 May and 2 November of each year. At the date of redemption of the Original Notes, the Company was required to pay interest at the rate of 23.5% per annum on the face amount of the Original Notes less the amount of interest at 10% per

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annum previously paid by the Company. In connection with the subscription of the Original Notes, the Original Investors and their affiliates also received from one of our Controlling Shareholders a total of 700,000 Shares for no additional monetary consideration.

As at 30 April 2009, we had used approximately US\$464 million of the net proceeds from the issuance of the Original Notes to inject capital into the wholly foreign-owned enterprises owned by our HK Subsidiaries, regional companies and project companies in order to expand our land bank. As at 30 April 2009, of the US\$464 million of the net proceeds from the issuance of the Original Notes used to inject capital in the wholly foreign-owned enterprises, we had used approximately RMB2,847 million to acquire land from independent third parties, save for the acquisition of Nantong Rongsheng Plaza which was acquired from a company controlled by the Founder. The balance of the proceeds has been deposited into our account maintained in Hong Kong for working capital purposes.

On 7 March 2008, DB transferred 91,000 Shares to Euro Crown Limited after arm’s length negotiation and such Shares are not subject to any lock up arrangement. DB also sold Original Notes in an aggregate principal amount of RMB 483,255,500 to Euro Crown Limited on 7 March 2008 and retained Original Notes in an aggregate principal amount of RMB 74,347,000. Euro Crown Limited is independent of the Group. To the best knowledge of the Directors, Euro Crown Limited is independent of DB.

Restructuring of Original Notes

We made interest payments of RMB 158.8 million and RMB 186.9 million on the Original Notes on 2 May 2008 and 2 November 2008, respectively. We did not make interest payments on the Original Notes on 2 May 2009 as we were negotiating to restructure the Original Notes and received an extension for such interest payment from the Investors. As at 20 June 2009, the aggregate principal amount of the Original Notes together with interest accrued up to 20 June 2009 was approximately RMB4,848.8 million (equivalent to US\$710 million), details of the calculation are set forth in the table below:

	RMB	Exchange Rate	US\$ Equivalent
Aggregate principal amount of Original Notes together with interest accrued up to 20 June 2009	5,194,444,090.46	US\$1 to RMB6.8343	760,055,030
Less:			
Interest paid by the Company to the Investors on 2 May 2008	158,751,400.00	US\$1 to RMB6.9890	22,714,466
Interest paid by the Company to the Investors on 2 November 2008	186,900,097.24	US\$1 to RMB6.8360	27,340,564
Total Redemption Amount under the Original Notes as at 20 June 2009:	4,848,792,593.22		710,000,000

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The arrangement in relation to the redemption of the Original Notes, the restructuring of the Original Notes and the terms of the Promissory Notes and Convertible Notes is such that the Company needs not pay interest to the Investors for the period between 20 June 2009 and 30 June 2009.

With an aim to further strengthen the capital structure of the Company, the Company, the Founder, the Investors and the Security Trustee, amongst others, entered into a Deed of Amendment to restructure and modify the terms and conditions of the Original Notes. On 11 August 2009 and 17 August 2009, the following Note Restructuring Transactions occurred pursuant to the terms of the Deed of Amendment:

- (a) the denomination of the Original Notes was changed from RMB to US\$;
- (b) we paid interest that was due and outstanding on the Original Notes (as converted into US\$) in cash in the aggregate amount of approximately US\$27.2 million (payment was made on 11 August 2009);
- (c) we redeemed an aggregate principal amount of US\$163.0 million and US\$29.8 million of the Original Notes (as converted into US\$) on 11 August 2009 and 17 August 2009, respectively;
- (d) the remaining US\$490 million of the Original Notes were replaced by the following two tranches of notes:
 - (i) US\$325 million of Promissory Notes with a final maturity date of 31 December 2010; and
 - (ii) US\$165 million of Convertible Notes which are mandatorily convertible in accordance with the Note Documents; and
- (e) the Founder agreed to cause Best Era to transfer to the Investors for no additional consideration Shares in an amount equal to 0.5% of the total Shares outstanding.

On 17 August 2009, we obtained a bridge loan of US\$28,000,000 from Yes Plus Limited, an independent third party, to fund the partial redemption of the Original Notes. The loan bears interest of 10% per annum. See “Financial Information — Liquidity and Capital Resources — Indebtedness” for more details.

A summary of the terms of the Promissory Note and Convertible Notes is set forth below.

Promissory Notes

Amortisation. Principal payments are due on the Promissory Notes as follows:

- (i) US\$50 million, on 31 December 2009;

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(ii) US\$130 million, on 30 June 2010; and

(iii) US\$145 million, on 31 December 2010.

Interest. Interest on the Promissory Notes accrues from 1 July 2009 and is payable semi-annually on each 31 December and 30 June (and upon redemption) at the rates below, provided that no Acceleration Event has occurred:

(i) interest payable with respect to any principal amounts repaid on or before 31 December 2009 shall be payable at the rate of 6% per annum;

(ii) interest payable with respect to any principal amounts repaid after 31 December 2009 but on or before 30 June 2009 shall be payable at the rate of 10% per annum; and

(iii) interest payable with respect to any principal amounts repaid on and after 1 July 2010 shall be payable at the rate of 15% per annum.

If an Acceleration Event occurs, interest will accrue from 1 July 2009 at the rate of 18% per annum and will be payable monthly in arrears (and upon redemption). Any interest previously paid will be credited.

Covenants for Promissory Notes and Convertible Notes

So long as any Promissory Notes or Convertible Notes are outstanding, we must comply with a number of covenants, including covenants to maintain a minimum Assets to Liabilities Ratio, a maximum Adjusted Liabilities Value and a maximum Loan to Value Ratio as well as other covenants prohibiting us from taking actions on certain reserved matters without the consent of the Noteholders.

Security Agreements for Promissory Notes and Convertible Notes

The Promissory Notes and the Convertible Notes are currently secured by the following collateral and guarantees created in favour of DB Trustee (Hong Kong) Limited as security trustee for the Noteholders:

(1) guarantees executed by each of the BVI Subsidiaries and HK Subsidiaries to secure our obligations under the Note Documents;

(2) share mortgages executed by each of us, Bright New and the BVI Subsidiaries to secure our obligations under the Note Documents;

(3) share pledges over the paid up capital of the wholly foreign-owned enterprises executed by each of the HK Subsidiaries to secure our obligations under the Note Documents;

(4) a first fixed charge/mortgage over the shares of each non-PRC company that becomes a member of the Group after 17 December 2007;

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- (5) a pledge over the equity in each PRC company (i) that becomes a member of the Group after 17 December 2007; and (ii) which equity is directly held by a non-PRC member of the Group; and
- (6) an account charge executed by Bright New in favour of DB Trustees (Hong Kong) Limited as security trustee.

The collateral and guarantees described above will be released upon the redemption or repayment of the Notes.

Founder’s Non-competition Undertaking

For so long as any of the Notes is outstanding, the Founder has undertaken to the Investors that, as long as he holds any interest in our Company and for the period of three years thereafter, he will not carry on any business involving real estate construction projects within Hong Kong or the PRC which directly or indirectly competes with the business of any member of our Group, except for his interests in Shanghai Ditong and a holding of not more than 5% of interests in a company listed on a recognised stock exchange (and which interest does not confer any management function).

Rights of the Noteholders

The rights of the Noteholders can be differentiated into two categories: information rights and veto right.

The information rights given to the Noteholders are as follows:

- (1) the right to obtain audited consolidated annual financial statements of the Group within 120 days after each year-end and unaudited consolidated semi-annual financial statements of the Group within 90 days after each six-month period. We undertake to ensure that such audited annual financial statements of the Group will not be provided to the Noteholders prior to the release of such information to the Shareholders;
- (2) the right to be kept informed, on a current basis, of any criminal or regulatory investigation or action involving the Company or any of other member of the Group;
- (3) the right to request information that any Noteholder reasonably requires to complete its tax return;
- (4) so long as any Noteholder holds any equity interest in our Company, the right to request information concerning the income and assets of the Group in order to determine if our Company is a “passive foreign investment company” for US federal income tax purpose;
- (5) the right to be notified as soon as practicable after our Company or any of our subsidiaries is aware of any of the matters as described in “Major Matters” in the Note Documents; and
- (6) the right to be notified of any decision taken in relation to the matters as described in “Notification Matters” in the Note Documents. We undertake to ensure that such information will not be provided to the Noteholders prior to the release of such information to the Shareholders.

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In relation to the veto right, the Investor Representative (acting on behalf of the Noteholders) has the right to veto certain “Reserved Matters” as described in the Note Documents.

All of the information rights and veto right will terminate upon the conversion or redemption, as the case may be, of the Notes in full.

Transfer of Promissory Notes and Convertible Notes

So long as the Promissory Notes and the Convertible Notes are outstanding, a Noteholder may only transfer a Promissory Note if it also transfers a proportionate principal amount of the Convertible Notes held by it to the proposed transferee at the same time and *vice versa*.

Transfer of Shares to Investors without consideration

Pursuant to the Note Restructuring Documents, Best Era will transfer, without any consideration, to the Investors 0.5% of the Shares (the “**Second Share Transfer**”) calculated based on the total issued share capital of the Company. Such Shares under the Second Share Transfer shall be allocated among the Noteholders pro rata according to their or their affiliates’ respective holdings of the Promissory Notes and the Convertible Notes as of 17 August 2009 and are not subject to any lock-up arrangement.

Our Directors are of the view that the Note Restructuring Transactions is beneficial to us as it:

- (i) carries a lower interest cost than the Original Notes;
- (ii) strengthens our capital structure by lengthening our debt maturity profile; and
- (iii) broaden our capital and shareholder base upon conversion of the Convertible Notes.

All of the Investors are independent third parties not connected with the Directors, the Controlling Shareholders or their affiliates.

Description of our Investors and their affiliates

Save for the interests described in this section headed “Financing”, all of the Investors are independent of our Group. We set out below a brief introduction of our Investors and Euro Crown Limited:

DESCIA and D.E. Shaw Composite Portfolios, L.L.C.

DESCIA is a member of the D. E. Shaw group. The D. E. Shaw group is a global investment and technology development firm with more than 1,700 employees; approximately US\$29 billion in aggregate investment and committed capital as of 1 July 2009; and offices in North America, Europe, and Asia. Since its organisation in 1988, the firm has a significant presence in many of the world’s capital markets, investing in a wide range of companies and financial instruments within both the

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major industrialised nations and a number of emerging markets. Its activities range from the deployment of investment strategies based on either mathematical models or human expertise to the acquisition of existing companies and the financing or development of new ones.

On 17 August 2009, DESCIA transferred its right to receive the Convertible Notes in an aggregate principal amount of US\$91,410,000 and the Promissory Notes in the aggregate principal amount of US\$180,050,000 to D. E. Shaw Composite Portfolios, L.L.C. D. E. Shaw Composite Portfolios, L.L.C. is entitled to all the same rights as those of the other Investors.

D.E. Shaw Composite Portfolios, L.L.C. is a company incorporated in the State of Delaware, the United States on 8 January 2001. It is the sole shareholder of DESCIA and is independent of the Group.

Goldman Sachs

Goldman Sachs RE Investments Holdings Limited is a company incorporated in the Cayman Islands on 19 July 2006.

Each of WH Debt Acquisition (Delaware) LLC and Villa (Delaware) LLC is a company incorporated in the State of Delaware, US on 15 October 2007.

Villa (Cayman) Ltd. is a company incorporated in the Cayman Islands on 15 November 2007.

Goldman Sachs RE Investments Holdings Limited, WH Debt Acquisition (Delaware) LLC, Villa (Delaware) LLC and Villa (Cayman) Ltd. are affiliates of Goldman Sachs.

Goldman Sachs was incorporated in the State of Delaware, the United States on 21 July 1998. It is a bank holding company and a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centres around the world.

DB

DB is the London Branch of Deutsche Bank Aktiengesellschaft (“**Deutsche Bank AG**”). Deutsche Bank AG is a banking institution and a stock corporation incorporated under the laws of Germany, with its registered office in Frankfurt am Main, Germany. Deutsche Bank AG is the parent company of a group consisting of banks, capital market companies, fund management companies, a real estate company, instalment financing companies, research and consultancy companies and other domestic and foreign companies. DB has on 12 January 1973 filed pursuant to the Companies Act 1948 to establish a place of business within Great Britain. On 14 January 1993, DB was registered under the Companies Act 1985 in England and Wales as having established a branch (“**London Branch**”). London Branch of DB is an authorised person for the purposes of section 19 of the Financial Services and Markets Act 2000.

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Euro Crown Limited

Euro Crown Limited is a wholly owned subsidiary of HSBC NF China Investors Limited, which is the general partner of the HSBC NF China Real Estate Fund, L.P. It was incorporated in the British Virgin Islands on 30 January 2008 and its business is investment in equity and fixed income securities. HSBC NF China Real Estate Fund is a private equity real estate opportunity fund focused on Greater China, established as a joint venture between HSBC Specialist Investments Limited and the Nan Fung Group. The partnership has raised capital commitments in excess of US\$700 million.

HSBC Specialist Investments Limited is the HSBC Group’s dedicated property and infrastructure investment arm. It invests capital on behalf of both HSBC and for clients, including pension funds, insurance companies, asset managers and family offices globally. It focuses on market segments with attractive risk/reward profiles and currently manages in excess of US\$10 billion of specialist assets in infrastructure, commercial and residential properties. The Nan Fung Group is one of Hong Kong’s leading real estate developers, a fully integrated, multidisciplinary property developer with ‘end-to-end’ in-house technical expertise. Its successful business ventures include over 130 completed real estate development projects in Greater China, predominantly in Hong Kong.

Approvals from PRC governmental authorities relating to the Reorganisation

On 23 May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investment in the Real Estate Industry (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) (“**Notice 50**”). Notice 50 seeks to strengthen the administrative process for the approval and supervision of foreign invested real estate enterprises in the real estate industry. As advised by our PRC legal counsel, Commerce and Finance Law Offices, Notice 50 requires that foreign invested real estate companies newly approved and established after 31 May 2007 must comply with certain registration requirements with MOFCOM. As none of the wholly foreign owned enterprises of the Group was newly approved and established after 31 May 2007, our PRC legal counsel is of the view that such requirement does not apply to the Group. In addition, Notice 50 requires that foreign invested real estate companies with property projects or property business newly added must also comply with the relevant approval requirements pursuant to Notice 50. As all of the wholly foreign owned enterprises of the Group with newly added projects and businesses have obtained the requisite approvals required by the Notice 50 and obtained the new approval certificates, our PRC legal counsel is of the view that the Group has also complied with such relevant approval requirement stipulated under Notice 50.

On 10 July 2007, SAFE issued the Notice of the General Affairs Department of SAFE on the Distribution of the List of the First Group of Foreign Invested Real Estate Projects which has Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) (“**Notice 130**”). Notice 130 provides that SAFE will not process any foreign exchange registration (or modification of registration) or foreign exchange settlement for capital account items for foreign invested real estate enterprises which obtained their approval certificates after 1 June 2007 but has not filed with MOFCOM. This also applies to foreign invested real estate enterprises that are established and approved before 1 June 2007, where such foreign invested real estate enterprises wish to increase their registered capital after 1 June 2007. Our PRC legal counsel has advised that since all the relevant

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approvals in respect of the increase in registered capital of the Group’s foreign invested real estate enterprises and the new approval certificates have been obtained prior to 31 May 2007, Notice 130 does not have any impact on the Group’s business and Reorganisation.

The Catalogue for the Guidance of Foreign Investment in Industry (外商產業指導目錄) promulgated by the National Development and Reform Commission and MOFCOM was amended on 1 December 2007. It classifies certain businesses of foreign invested enterprises into certain categories — “encouraged”, “restricted” and “prohibited”. The categorisation affects the regulatory approval process for a foreign invested enterprise operating in a categorised business and the availability of tax and other incentives. Our PRC legal counsel is of the opinion that the business scope of all of the acquired PRC companies in the Reorganisation does not fall within the restricted or prohibited categories of business under the Catalogue for the Guidance of Foreign Investment in Industry (外商產業指導目錄) and hence it does not have any impact on the Group’s business and Reorganisation.

Pursuant to the Notice on the Relevant Issues Concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents Through 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) (“**Notice 75**”) promulgated by SAFE on 21 October 2005 and the Notice of Implementation of the Notice on the Relevant Issues Concerning Foreign Exchange Administration of Financing and Return Investment Undertaken by Domestic Residents Through 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操作現程的通知) (“**Notice 106**”) promulgated by SAFE on 29 May 2007, domestic resident natural persons or legal persons are required to register with the relevant local branches of SAFE before they establish or control any offshore special purpose vehicles for the purpose of capital raising using assets or equity interests of their PRC companies. The definition of “domestic resident natural person” includes a natural person who holds domestic interests in domestic enterprises and then changes his or her domestic interests into foreign-owned interests while remaining the ultimate controller of the changed interests. Because our Founder falls within this definition of domestic resident natural person, he was required to register pursuant to Notice 75 and Notice 106. Our PRC legal counsel is of the opinion that the Founder has completed his registration with the relevant local branch of SAFE with respect to his interests in our Group and has fully complied with Notice 75 and Notice 106.