

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

In 1992, Macau Powerlong Group, a company which is 88.9% owned by our founder, Hoi Kin Hong, established Xiamen Powerlong Group to engage in various businesses, including the distribution of office automation equipment, information technology, manufacture and sale of batteries and hotel developments.

We began to engage in property development operations in 2003 and our first property development project was the Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園) in Jinjiang City, Fujian Province, a residential development. As of June 30, 2009, we had developed or were in the process of developing 17 projects in 14 cities in China.

We have a total of 38 operating subsidiaries, of which, 18 are project companies engaged primarily in property development business, five are primarily engaged in property sales, architectural design, interior decoration and consulting businesses, 10 are primarily engaged in property management business, two are primarily engaged in hotel operation, one is primarily engaged in management consulting business and two are primarily engaged in logistics.

REORGANIZATION

In mid-2007, we commenced the Reorganization. As part of the Reorganization, our Company was incorporated on July 18, 2007 in the Cayman Islands to be the ultimate holding company for all of our operating subsidiaries and project companies, engaging in property development, property investment, property management, architectural design, interior decoration, hotel operation and other related consulting services.

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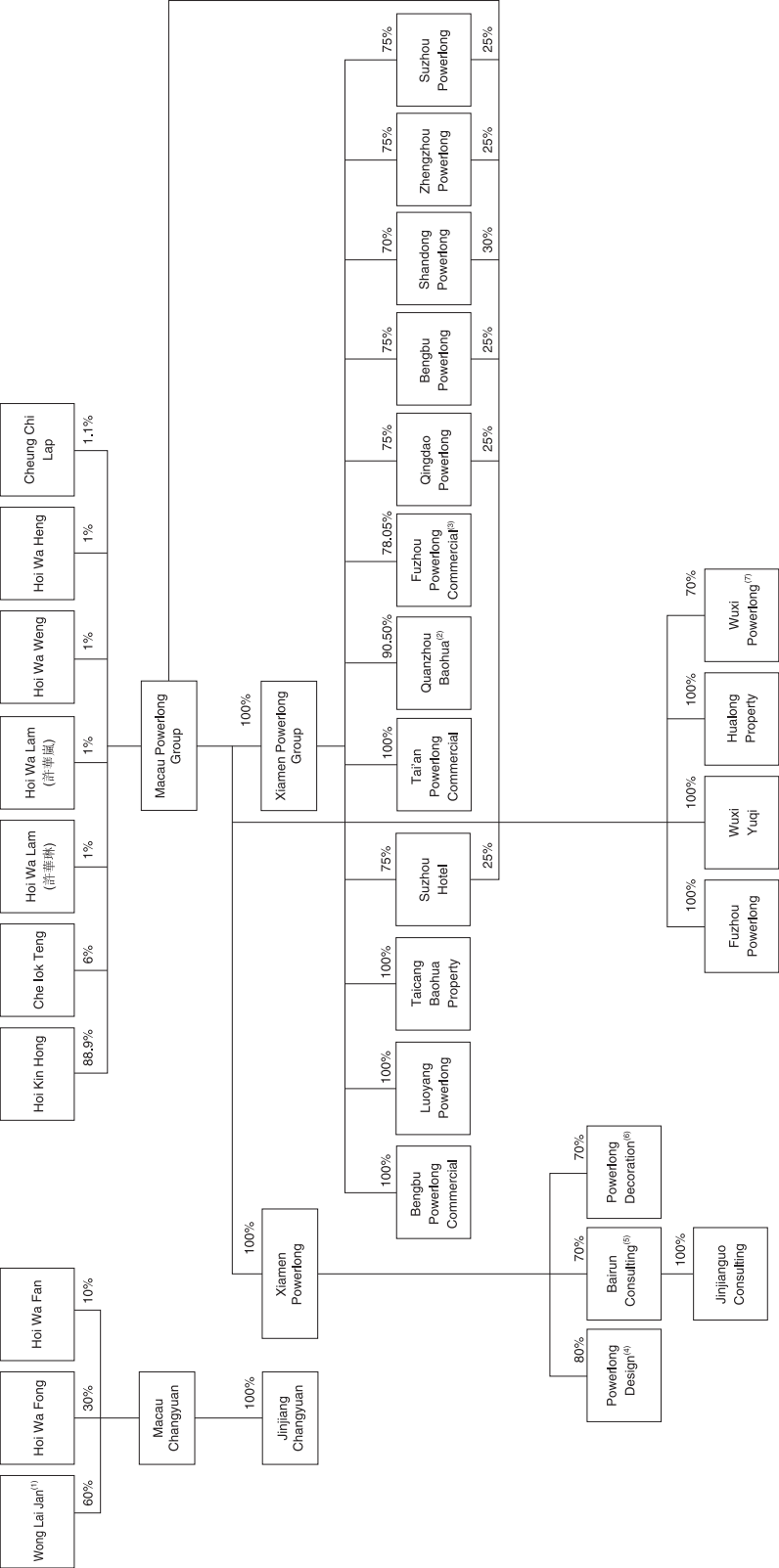
Prior to the Reorganization, our key businesses and companies were held by Macau Powerlong Group, Xiamen Powerlong Group, Xiamen Powerlong and Macau Changyuan, all of which are ultimately controlled by our founder, Hoi Kin Hong, and his immediate family members, but all of which engage in dissimilar activities. Prior to May 2007, Macau Powerlong Group was held as to 88.9% by Hoi Kin Hong, as to 10% by Hoi Kin Chuen and as to 1.1% by Cheung Chi Lap. From May 2007, Che Lok Teng, Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐), Hoi Wa Weng and Hoi Wa Heng, as the beneficiaries of Hoi Kin Chuen’s estate, became shareholders of Macau Powerlong Group. During the Track Record Period, Macau Changyuan was held as to 60% by Wong Lai Jan (wife of Hoi Kin Hong) for Hoi Kin Hong, as to 30% by Hoi Wa Fong and as to 10% by Hoi Wa Fan. The following table sets forth the shareholding and principal activities of Macau Powerlong Group, Xiamen Powerlong Group and Macau Changyuan as of the Latest Practicable Date.

	Shareholders	Shareholding	Principal activities
Macau Powerlong Group . . .	<ul style="list-style-type: none"> ● Hoi Kin Hong ● Che Lok Teng (sister-in-law of Hoi Kin Hong) ● Hoi Wa Lam (許華琳 niece of Hoi Kin Hong) ● Hoi Wa Lam (許華嵐 niece of Hoi Kin Hong) ● Hoi Wa Weng (niece of Hoi Kin Hong) ● Hoi Wa Heng (niece of Hoi Kin Hong) ● Cheung Chi Lap (brother-in-law of Hoi Kin Hong) 	<div>88.9%</div> <div>6%</div> <div>1%</div> <div>1%</div> <div>1%</div> <div>1%</div> <div>1.1%</div>	Lease of properties
Xiamen Powerlong Group . . .	<ul style="list-style-type: none"> ● Macau Powerlong Group 	100%	Research on property investment
Macau Changyuan	<ul style="list-style-type: none"> ● Wong Lai Jan (wife of Hoi Kin Hong) for Hoi Kin Hong ● Hoi Wa Fong (son of Hoi Kin Hong) ● Hoi Wa Fan (daughter of Hoi Kin Hong) 	<div>60%</div> <div>30%</div> <div>10%</div>	Inactive

Due to the fact that (i) Wong Lai Jan (wife of Hoi Kin Hong), Hoi Wa Fong (son of Hoi Kin Hong) and Hoi Wa Fan (daughter of Hoi Kin Hong) are all Hoi Kin Hong’s close family members; and (ii) before the Reorganization, Wong Lai Jan held her interest in Macau Changyuan for Hoi Kin Hong and exercised her shareholder’s rights in Macau Changyuan in accordance with the direction of Hoi Kin Hong, Hoi Kin Hong and his immediate family members (but excluding Wong Lai Jan) are our Controlling Shareholders. After the Reorganization, our Controlling Shareholders also include the holding companies established by each of Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan to hold shares in our Company.

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The corporate structure of the key businesses and companies of our Group and their controlling shareholders immediately prior to the Reorganization were as follows:



Notes:

- (1) Wong Lai Jan held her interest in Macau Changyuan for Hoi Kin Hong.
- (2) The remaining equity interests in Quanzhou Baohua were held by Ke Qing Gun.
- (3) The remaining equity interests in Fuzhou Powerlong Commercial were held as to 15% by Xiamen Powerlong Information and as to 6.95% by Cai Chang Zhi, Gao Li Feng, Chen Qiang Ren and Xu Jian Man.
- (4) The remaining equity interests in Powerlong Design were held by Chen Yi Wei.
- (5) The remaining equity interests in Bairun Consulting were held by Hong Qun Feng.
- (6) The remaining equity interests in Powerlong Decoration were held by as to 20% by Guo Wen Hu, as to 5% by Zhang Qi and as to 5% by Chen Zhang Bin.
- (7) The remaining equity interests in Wuxi Powerlong were held by Macau Jurong. Macau Jurong is principally engaged in property investment and is held as to 60% by Xu Jian Man, the sister of Hoi Kin Hong, and as to 40% by Cai Xiang Jiang, the husband of Xu Jian Man.

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Establishment of the Intermediate Holding Companies

The following intermediate holding companies were incorporated in order to acquire and hold all of the equity interests in our project companies and for future development:

- BVI Powerlong was incorporated in British Virgin Islands on July 20, 2007 of which all the issued share capital was held by our Company;
- HK Powerlong was incorporated in Hong Kong on July 5, 2007 of which all the issued share capital was held by BVI Powerlong;
- Wide Evolution was incorporated in Hong Kong on February 11, 2008 of which all the issued share capital was held by HK Powerlong;
- On August 11, 2008, Powerlong (BVI) I, Powerlong (BVI) II, Powerlong (BVI) III, Powerlong (BVI) IV and Powerlong (BVI) V were established in the BVI, the issued share capital of all these companies were held by BVI Powerlong;
- Powerlong (HK) 1 was incorporated in Hong Kong on October 3, 2008 of which all the issued share capital was held by Powerlong (BVI) I;
- Powerlong (HK) 2 was incorporated in Hong Kong on October 3, 2008 of which all the issued share capital was held by Powerlong (BVI) II;
- Powerlong (HK) 3 was incorporated in Hong Kong on October 3, 2008 of which all the issued share capital was held by Powerlong (BVI) III;
- Powerlong (HK) 4 was incorporated in Hong Kong on October 3, 2008 of which all the issued share capital was held by Powerlong (BVI) IV;
- Powerlong (HK) 5 was incorporated in Hong Kong on October 3, 2008 of which all the issued share capital was held by Powerlong (BVI) V; and
- Kind Sonic was incorporated in Hong Kong on March 27, 2009 of which all the issued share capital was held by Lianshang Logistics.

Ownership Interests in Our Company

- Skylong, Sky Infinity, Walong and Wason were incorporated on July 20, 2007, July 27, 2007, July 20, 2007 and July 24, 2007, respectively, in order to act as the holding companies for the interests of the Controlling Shareholders, Che Lok Teng, Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐) and Hoi Wa Weng.
- As part of the Reorganization and family arrangement of Hoi Kin Hong, by way of gift, Hoi Wa Fong, through his interests in Sky Infinity, and Hoi Wa Fan, through her interests in Walong, became shareholders of our Company.

Incorporation of Certain PRC Subsidiaries

- Xiamen Original Design was established in the PRC on June 25, 2007. It is held as to 71% by Fuzhou Powerlong and as to 29% by Mei Song Hua, an independent third party.

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- Hualong Commercial was established in the PRC on June 29, 2007. It was held as to 71% by Fuzhou Powerlong and as to 29% by Hong Qun Feng and is now held as to 100% by Fuzhou Powerlong.
- Henan Hualong Commercial was established in the PRC on September 30, 2007. It is wholly owned by Hualong Commercial.
- Zhengzhou Powerlong Commercial was established in the PRC on October 16, 2007. It is wholly owned by Hualong Commercial.
- Powerlong Management was established in the PRC on October 16, 2007. It is wholly owned by HK Powerlong.
- Qingdao Licang Powerlong was established in the PRC on November 21, 2007. It was held as to 90% by HK Powerlong and as to 10% by Fuzhou Powerlong and is now held as to 90% by Powerlong (HK) 1 and as to 10% by Fuzhou Powerlong.
- Suqian Powerlong was established in the PRC on December 10, 2007. It is wholly owned by Fuzhou Powerlong.
- Yantai Powerlong was established in the PRC on December 19, 2007. It is held as to 90% by HK Powerlong and as to 10% by Fuzhou Powerlong.
- Xinxiang Powerlong was established in the PRC on December 25, 2007. It is held as to 90% by HK Powerlong and as to 10% by Fuzhou Powerlong.
- Lianshang Logistics was established in the PRC on January 24, 2008. It was wholly owned by HK Powerlong and is now owned as to 62.5% by HK Powerlong and as to 37.5% by Fuzhou Powerlong.
- Wuyishan Powerlong was established in the PRC on January 29, 2008. It is held as to 90% by HK Powerlong and as to 10% by Fuzhou Powerlong.
- Qingdao Powerlong Commercial was established in the PRC on February 25, 2008. It is wholly owned by Hualong Commercial.
- Wuxi Powerlong Commercial was established in the PRC on April 8, 2008. It is wholly owned by Hualong Commercial.
- Yancheng Powerlong was established in the PRC on May 13, 2008. It was held as to 90% by HK Powerlong and as to 10% by Fuzhou Powerlong, and is now held as to 25% by HK Powerlong and as to 75% by Fuzhou Powerlong.
- Changzhou Powerlong was established in the PRC on June 30, 2008. It is held as to 90% by HK Powerlong and as to 10% by Fuzhou Powerlong.
- Tai'an Hotel was established in the PRC on June 5, 2009. It is held as to 30% by HK Powerlong and as to 70% by Fuzhou Powerlong.

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Acquisition of Equity Interests in the Project Companies

Pursuant to the Reorganization, we acquired the equity interests in the capital of the companies from the existing shareholders for the consideration listed in the following table.

Transferor	Transferee	Company	Interest Acquired	Consideration	Notes
Property Development Business					
Macau Powerlong Group . . .	HK Powerlong	Fuzhou Powerlong	100%	HK\$1.00	1
Macau Powerlong Group . . .	HK Powerlong	Bengbu Powerlong	25%	HK\$1.00	1
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Bengbu Powerlong	75%	Rmb 15,000,000	2
Macau Powerlong Group . . .	HK Powerlong	Shandong Powerlong	30%	HK\$1.00	1
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Shandong Powerlong	70%	Rmb 70,000,000	2
Macau Powerlong Group . . .	HK Powerlong	Zhengzhou Powerlong	25%	HK\$1.00	1
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Zhengzhou Powerlong	75%	Rmb 51,000,000	2
HK Powerlong	Fuzhou Powerlong	Zhengzhou Powerlong	60%	Rmb 210,000,000	1, 4
Macau Powerlong Group . . .	HK Powerlong	Qingdao Powerlong	25%	HK\$1.00	1
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Qingdao Powerlong	75%	Rmb 60,000,000	2
HK Powerlong	Fuzhou Powerlong	Qingdao Powerlong	60%	HK\$1.00	1, 5
Macau Powerlong Group . . .	HK Powerlong	Suzhou Powerlong	25%	HK\$1.00	1
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Suzhou Powerlong	75%	US\$7,500,000	2, 3
Macau Powerlong Group . . .	HK Powerlong	Wuxi Powerlong	70%	HK\$1.00	1
Macau Jurong	HK Powerlong	Wuxi Powerlong	10%	HK\$11,579,000	1
Macau Changyuan	HK Powerlong	Jinjiang Changyuan	100%	HK\$1.00	1
Macau Powerlong Group . . .	HK Powerlong	Wuxi Yuqi	100%	HK\$1.00	1, 6
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Luoyang Powerlong	100%	Rmb 80,000,000	2
Xiamen Powerlong Group . . .	Fuzhou Powerlong	Quanzhou Baohua	90.5%	Rmb 34,390,000	2
Ke Qing Gun	Fuzhou Powerlong	Quanzhou Baohua	9.5%	Rmb 3,610,000	2
HK Powerlong	Powerlong (HK) 1	Qingdao Licang Powerlong	90%	HK\$1.00	1
HK Powerlong	Fuzhou Powerlong	Yancheng Powerlong	65%	HK\$1.00	1

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<u>Transferor</u>	<u>Transferee</u>	<u>Company</u>	<u>Interest Acquired</u>	<u>Consideration</u>	<u>Notes</u>
Property Management Business					
Macau Powerlong Group . . .	Fuzhou Powerlong	Hualong Property	100%	Rmb 5,853,600	1
Xiamen Powerlong Group . .	Hualong Property	Taicang Baohua Property	100%	Rmb 500,000	2
Xiamen Powerlong Group . .	Hualong Property	Tai'an Powerlong Commercial	100%	Rmb 500,000	2
Xiamen Powerlong Group . .	Hualong Commercial	Bengbu Powerlong Commercial	100%	Rmb 500,000	2
Xiamen Powerlong Group . .	Hualong Commercial	Fuzhou Powerlong Commercial	78.05%	Rmb 780,500	2
Xiamen Powerlong Information	Hualong Commercial	Fuzhou Powerlong Commercial	15%	Rmb 150,000	2
Cai Chang Zhi, Gao Li Feng, Chen Qiang Ren and Xu Jian Man	Hualong Commercial	Fuzhou Powerlong Commercial	6.95%	Rmb 69,500	2
Hong Qun Feng	Fuzhou Powerlong	Hualong Commercial	29%	Rmb 290,000	2
Architectural Design, Decoration and Other Related Consulting Services					
Xiamen Powerlong	Fuzhou Powerlong	Bairun Consulting	70%	Rmb 700,000	2
Hong Qun Feng	Fuzhou Powerlong	Bairun Consulting	1%	Rmb 10,000	2
Bairun Consulting	Fuzhou Powerlong	Jinjiangguo Consulting	71%	Rmb 71,000	2
Xiamen Powerlong	Fuzhou Powerlong	Powerlong Design	80%	Rmb 400,000	2
Xiamen Powerlong	Fuzhou Powerlong	Powerlong Decoration	70%	Rmb 7,000,000	2
Guo Wen Hu	Fuzhou Powerlong	Powerlong Decoration	20%	Rmb 1,000,000	
Zhang Qi	Fuzhou Powerlong	Powerlong Decoration	5%	Rmb 250,000	
Chen Zhang Bin	Fuzhou Powerlong	Powerlong Decoration	5%	Rmb 250,000	
Hotel Business					
Macau Powerlong Group . . .	HK Powerlong	Suzhou Hotel	25%	HK\$1.00	1
Xiamen Powerlong Group . .	Fuzhou Powerlong	Suzhou Hotel	75%	Rmb 60,000,000	2

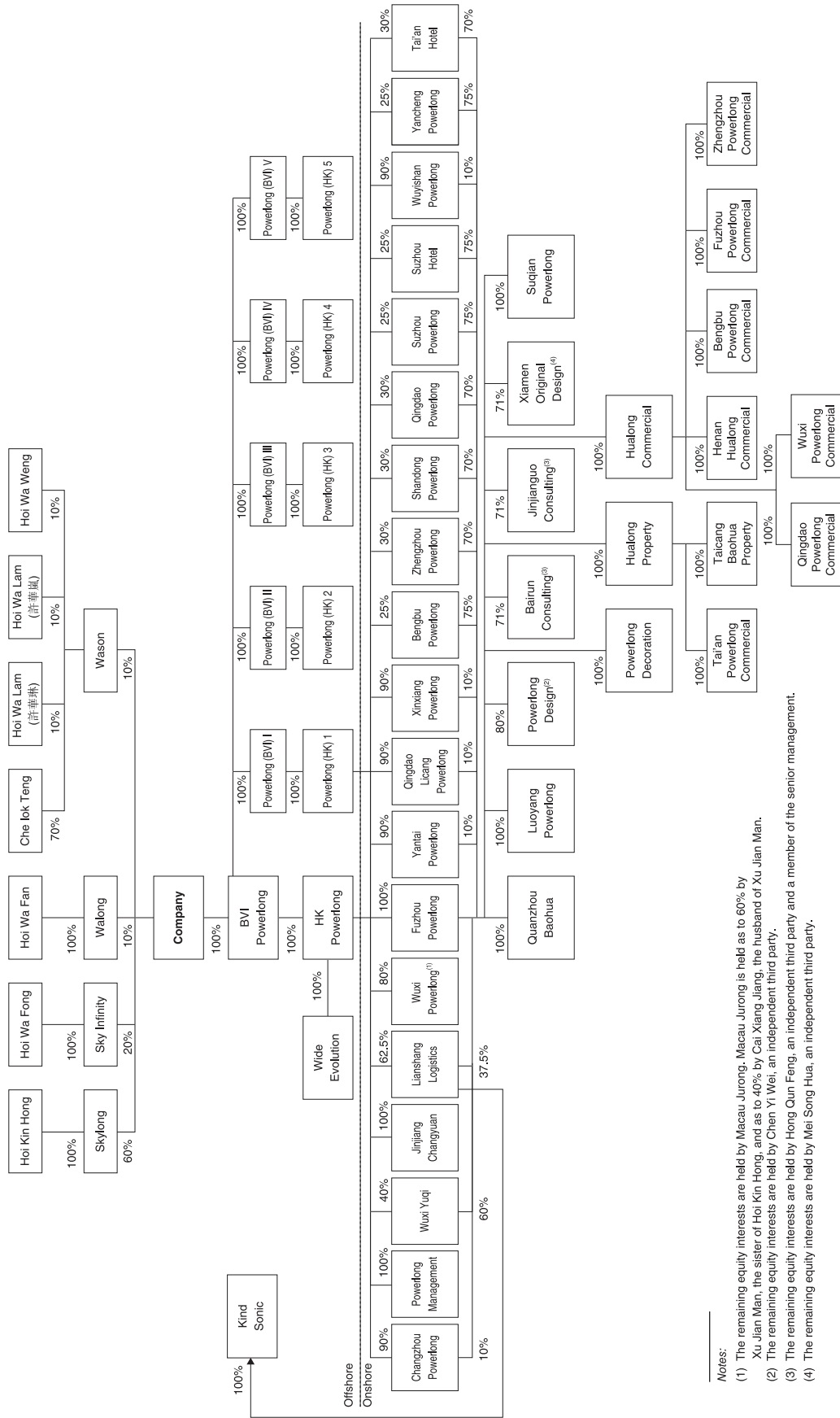
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Notes:

- (1) Pursuant to the Reorganization, all the off-shore transfers involved were based on a nominal amount. As the transfers were part of our internal reorganization, the Directors consider that the use of a nominal amount as the consideration for the off-shore transfers is fair and reasonable.
- (2) Pursuant to the Reorganization, all the on-shore transfers involved were based on the respective registered capital of the relevant companies at the time of the transfer. As the transfers were part of our internal reorganization, the Directors consider that the use of the registered capital as the consideration for the on-shore transfers is fair and reasonable.
- (3) The consideration is an amount in Renminbi equivalent to US\$7,500,000.
- (4) Subsequent to the initial transfers, Zhengzhou Powerlong increased its registered capital on January 4, 2008 from Rmb 68,000,000 to Rmb 700,000,000, of which Fuzhou Powerlong contributed 10% of the registered capital and HK Powerlong contributed 90% of the registered capital mainly through the proceeds from the issue of the Convertible Bonds and the Secured Notes and the remaining through advances from our Controlling Shareholders and internal resources of our Group. On May 31, 2009, HK Powerlong transferred a 60% interest in the registered capital of Zhengzhou Powerlong to Fuzhou Powerlong.
- (5) Subsequent to the initial transfers, Qingdao Powerlong increased its registered capital on December 24, 2007 from Rmb 80,000,000 to Rmb 660,000,000, of which Fuzhou Powerlong contributed 10% of the registered capital and HK Powerlong contributed 90% of the registered capital mainly through the proceeds from the issue of the Convertible Bonds and the Secured Notes and the remaining through advances from our Controlling Shareholders and internal resources of our Group. On June 2, 2009, HK Powerlong transferred a 60% interest in the registered capital of Qingdao Powerlong to Fuzhou Powerlong.
- (6) On February 22, 2008, Wuxi Yuqi increased its registered capital from US\$6,000,000 to US\$15,000,000, US\$9,000,000 of which was contributed by Fuzhou Powerlong and the remaining US\$6,000,000 was contributed by HK Powerlong. After completion of the increase in the registered capital of Wuxi Yuqi, Wuxi Yuqi is owned as to 60% by Fuzhou Powerlong and as to 40% by HK Powerlong.

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After the completion of the share transfers, incorporations and acquisitions described above, our corporate structure was as follows:



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Change in Share Capital

On December 14, 2007, we increased and revised our authorized share capital to HK\$300,000,000, divided into 30,000,000,000 Shares, with a par value of HK\$0.01 each. We allotted and issued an aggregate of 3,000,000,000 nil-paid Shares to our then existing shareholders, and canceled the then existing 100 shares, with a par value of US\$1.00 each, in our issued capital and the then existing authorized but unissued 49,900 shares, with a par value of US\$1.00 each. On June 4, 2008, a cash payment of HK\$30,000,000 was made to us by our then existing shareholders for the purpose of paying up the unpaid 3,000,000,000 Shares allotted and issued to our then existing shareholders.

On September 16, 2009, we allotted and issued an aggregate of 150,000,000 Shares to Skylong as directed by Hoi Kin Hong, credited as fully paid, to settle the advances made by Hoi Kin Hong to us in the total amount of RMB1,000,000,000.

CONVERTIBLE BONDS AND SECURED NOTES

On December 14, 2007, we, Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and Macquarie entered into a subscription agreement relating to the issue by us of:

- Convertible Bonds in an aggregate principal amount of Rmb 409,580,860 equivalent to HK\$434,200,000 based on the agreed fixed exchange rate; and
- Convertible Bonds and Secured Notes in an aggregate principal amount of Rmb 614,371,290 equivalent to HK\$651,300,000 based on the agreed fixed exchange rate.

On December 24, 2007, we issued the Convertible Bonds and Secured Notes to the investors procured by Macquarie in the following principal amounts.

Investor		Amount of Convertible Bonds subscribed	Amount of Convertible Bonds and Secured Notes subscribed
		(HK\$)	(HK\$)
1.	Stark Master Fund Ltd.	92,380,000	138,570,000
2.	Centar Investments (Asia) Ltd.	80,600,000	120,900,000
3.	Stark Asia Master Fund Ltd.	35,960,000	53,940,000
4.	Stark Global Opportunities Master Fund Ltd.	8,380,000	12,570,000
5.	Stark-Bosera China Opportunities Master Fund Ltd.	15,180,000	22,770,000
6.	R3 Capital Partners Master LP ^(note)	93,000,000	139,500,000
7.	Macquarie Investment Holdings No. 2 Pty Ltd.	77,500,000	—
8.	Macquarie Securitisation (Hong Kong) Ltd.	—	116,250,000
9.	Asia Bridge Fund I, LLC	31,200,000	46,800,000

Note: R3 Capital Partners Master L.P. was formerly known as Lehman Brothers Commercial Corporation Asia Limited.

Among the subscribers, Stark Master Fund Ltd., Centar Investments (Asia) Ltd., Stark Asia Master Fund Ltd., Stark Global Opportunities Master Fund Ltd. and Stark-Bosera China Opportunities Master Fund Ltd. are affiliated parties among themselves; and Macquarie

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Investment Holdings No. 2 Pty. Ltd. and Macquarie Securitisation (Hong Kong) Ltd. are fellow subsidiaries of Macquarie. None of the subscribers is affiliated with us or any of our subsidiaries.

We issued the Convertible Bonds and Secured Notes to raise financing for our acquisition of new land use rights and to pay certain development costs relating to such newly acquired land and development projects. As of the Latest Practicable Date, all of the net proceeds have been injected into our various subsidiaries in China as our capital contribution and have been used for the following purposes:

- approximately HK\$370,000,000 by Qingdao Licang Powerlong to acquire new land use rights with respect to Licang project as described in the section entitled “Business — Project Description — Shandong Province — Licang Project” in this document;
- approximately HK\$150,000,000 by Xinxiang Powerlong to acquire new land use rights with respect to Xinxiang project as described in the section entitled “Business — Project Description — Henan Province — Xinxiang Project” in this document;
- approximately HK\$150,000,000 by Yantai Powerlong to acquire new land use rights with respect to Yantai project as described in the section entitled “Business — Project Description — Shandong Province — Yantai Project” in this document; and
- approximately HK\$160,000,000 by Fuzhou Powerlong with respect to Suqian project as described in the section entitled “Business — Project Description — Jiangsu Province — Suqian Project” in this document;

The remaining proceeds have been used to settle the construction costs for the above projects or to acquire new projects, and also for additional capital contribution to our operating subsidiaries in China to fund the development cost of specified property development projects.

The Convertible Bonds have an aggregate principal amount of Rmb 409,580,860, equivalent to HK\$434,200,000 at the fixed exchange rate of HK\$1.00 = Rmb 0.9433. The Convertible Bonds and Secured Notes have an aggregate principal amount of Rmb 614,371,290, equivalent to HK\$651,300,000 at the same fixed exchange rate. Our Controlling Shareholders and BVI Powerlong are the co-obligors under the Convertible Bonds and the Secured Notes.

The Convertible Bonds and Secured Notes were initially due to mature on September 30, 2008. On September 30, 2008, we reached an agreement with the investors to refinance the Convertible Bonds and Secured Notes, by way of a HK\$349,998,941 cash payment to redeem some of the Convertible Bonds and Secured Notes (on a pro-rata basis). Such cash payment was made on September 30, 2008 and represented the principal amount of the Secured Bonds and Secured Notes redeemed as well as interest accrued up to that date. As part of the amendment, the conversion rights attaching to the Secured Bonds were removed; the Convertible Bonds and the Secured Notes were restructured to have similar terms; and the Convertible Bonds were renamed as Secured Bonds. Pursuant to the First Amendment Agreement, the maturity of the Secured Bonds and Secured Notes were also extended.

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The Secured Bonds and Secured Notes contain the following principal terms:

- *Status.* They constitute our direct, senior, unsubordinated, unconditional and secured obligations and will at all times rank *pari passu* and without any preference or priority among the Secured Bonds and Secured Notes themselves.
- *Security Interests.* Our payment obligations and the performance of all of our other obligations under the Secured Bonds and Secured Notes are secured by the following security interests:
 - (a) a first priority share mortgage in relation to 100% of our issued share capital;
 - (b) a first priority share mortgage in relation to 100% of the issued share capital of BVI Powerlong;
 - (c) a first priority share mortgage in relation to 100% of the issued share capital of HK Powerlong; and
 - (d) a debenture with fixed and floating charge over all assets and undertakings of HK Powerlong,

with all such security interests to be discharged as soon as reasonably practicable upon the earlier of the [●] and the date of full redemption of the Secured Bonds and Secured Notes.

We have also agreed to the following negative pledge provisions in the terms and conditions of the Secured Bonds and Secured Notes:

- We will not create or permit to subsist, and we will procure that none of our subsidiaries will create or permit to subsist any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, other than those specifically permitted under the terms and conditions of the Secured Bonds and Secured Notes, upon the whole or any part of our or our subsidiaries' undertaking, assets or revenues, present or future, to secure any indebtedness or to secure any guarantee or indemnity in respect of any indebtedness or to provide any guarantee or indemnity in respect of any indebtedness unless, at the same time or prior thereto, our obligations under the Secured Bonds and Secured Notes are secured (in addition to the existing security conferred upon them) equally and rateably by such additional security.
- We will not create or permit to subsist, and we will procure that none of our subsidiaries will create or permit to subsist, any mortgage, pledge, security interest, encumbrance, lien or charge of any kind upon the whole or any part of the shares of any of our subsidiaries.
- On or after [●], and for so long as any of the Secured Bonds and Secured Notes remain outstanding, we will not create or permit to subsist, and we will procure that none of our subsidiaries will create or permit to subsist, any mortgage, pledge, security interest, encumbrance, lien or charge of any kind upon the whole or any part of our or our subsidiaries' undertaking, assets or revenues, present or future, to secure any future or present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository

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receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which, in each case, are, or are otherwise capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market, unless, at the same time or prior thereto, our obligations under the Secured Bonds and Secured Notes are secured equally and rateably by such additional security, or have the benefit of such other security, guarantee, indemnity or arrangement as approved by the holders of the Secured Bonds and Secured Notes through an extraordinary resolution a resolution passed at a meeting of noteholders duly convened and held by a majority of holders holding or representing in aggregate more than 50% in principal of the votes cast.

Under the terms of the First Amendment Agreement, we are obliged to make certain repayments of principal in accordance to a specific monthly amortizing schedule, at a pre-agreed interest rate.

Between October 31, 2008 and March 9, 2009, we redeemed Rmb 320,174,886 in principal amount of the Secured Bonds and Secured Notes in accordance with the amortizing schedule.

In March 2009, we initiated discussions with the investors on a potential refinancing of the outstanding Secured Bonds and Secured Notes. As the commercial terms of the new refinancing were being finalized, we elected to defer the payment of the Secured Bonds and Secured Notes due on March 31, 2009 which amounted to Rmb 250,002,799 in principal amount. On April 9, 2009, we reached a verbal agreement with the investors to refinance the outstanding Secured Bonds and Secured Notes. In consideration of a cash payment of HK\$150,043,145 to redeem some of the Secured Bonds and Secured Notes on a pro rata basis, the Investors agreed to amend the maturity, amortising schedule, and terms of the remaining Secured Bonds and Secured Notes. All outstanding accrued and unpaid interest on the Secured Bonds and Secured Notes were reclassified as outstanding principal as of April 9, 2009.

Between April 2009 and June 2009, we made principal payments of Rmb 47,966,805. In light of improving business outlook and economic conditions, we re-negotiated the terms of Secured Bonds and Secured Notes and agreed to an accelerated amortizing schedule and entered into the Second Amendment Agreement for Rmb 414,353,958 in principal amount of the Secured Bonds and Secured Notes.

Under the Second Amendment Agreement, the Secured Bonds and Secured Notes have the following key terms:

- **Interest Rate:** The annual rate of interest applicable on the Secured Bonds and Secured Notes is 25% per annum. Interest is paid on date of principal repayment, calculated on a daily basis from (and including) April 9, 2009, until (and excluding) the payment date;
- **Settlement Currency:** All interest are calculated in Renminbi to be settled in equivalent H.K. dollar amounts at a fixed exchange rate of HK\$1.00 = Rmb 0.8772;
- **Maturity Date:** December 31, 2009;

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- Monthly principal repayments: A fixed portion of the Secured Bonds and Secured Notes are to be redeemed at the end of each month in accordance with the following schedule, together with accrued and unpaid interest:
 - Rmb 21,931,725 of the Secured Bonds and Secured Notes to be repaid on July 31, 2009;
 - Rmb 21,931,725 of the Secured Bonds and Secured Notes to be repaid on August 31, 2009;
 - Rmb 131,580,917 of the Secured Bonds and Secured Notes to be repaid on September 30, 2009;
 - Rmb 17,545,380 of the Secured Bonds and Secured Notes to be repaid on October 31, 2009;
 - Rmb 17,545,380 of the Secured Bonds and Secured Notes to be repaid on November 30, 2009;
 - the rest of the Secured Bonds and Secured Notes to be repaid on December 31, 2009.

Between July 2009 and August 2009, we made the monthly repayments in accordance with the monthly repayment schedule set out in the Second Amendment Agreement.

We have also provided to the following undertakings in the Second Amendment Agreement:

- Use our best endeavours to effect an IPO as soon as reasonably commercially practicable, to procure that the net proceeds of such IPO are used immediately and as a first priority to repay in full all principal, interest and other sums due under the Secured Bonds and Secured Notes;
- Use our best endeavours to borrow from banking or financial institution(s) of which the proceeds are used immediately and exclusively to repay in full the principal, interest and other sums due under the Secured Bonds and Secured Notes;
- Ensure that the personnel of the firm of accountants engaged by the investors: (a) are provided with such information in relation to our Group, its assets, liabilities, financial condition and prospects and its operations as may reasonably be requested by the investors from time to time; (b) are given the opportunity on a fortnightly basis to meet with such personnel of our Group to discuss matters relating to our Group (including but not limited to the matters referred to at (a) above); and (c) otherwise, from time to time on reasonable notice, are enabled to meet with such members of the management team of our Group as they may wish to discuss matters relating to our Group, its financial and trading position and its operations; and
- Use our best endeavours to procure that (a) surplus cash of our Group is, to the greatest extent practicable without affecting the normal day-to-day business operation of our Group, used to make payments of principal, interest and other sums due under

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the Secured Bonds and Secured Notes; and (b) our Group reduces to the minimum level possible the making of capital expenditure in respect of its property development operations in the PRC.

On September 17, 2009, we issued the New Secured Notes to Superb Miles Limited, a fellow subsidiary of ICBCI to repay part of the Secured Bonds and the Secured Notes. The New Secured Notes were secured by the charges over shares of the Company, BVI Powerlong, Powerlong (BVI) I, HK Powerlong and Powerlong (HK) 1, fixed and floating charges over assets of the Company and personal guarantees provided by Hoi Kin Hong and Hoi Wa Fong, the Controlling Shareholders. The New Secured Notes will be due and payable on the earlier of December 16, 2009 or the listing of the Shares on the Stock Exchange. Interest will accrue on the principal amount of the New Secured Notes at an interest rate calculated at 5.22% per annum.

In September 2009, we also secured the New Loan from the Industrial and Commercial Bank of China (Asia) Limited which we have used approximately HK\$120 million to redeem part of the Secured Bonds and the Secured Notes. The New Loan was secured by a pledged deposit of an amount in Renminbi equivalent to the amount of the loan in H.K. dollar drawn down by us. The New Loan will be due and payable in September 2010, and interest on the New Loan is payable at an annual rate of HIBOR plus 0.75%.

The Secured Bonds and the Secured Notes were fully redeemed on September 17, 2009. Upon our redemption of the Secured Bonds and the Secured Notes, all information access rights and any other rights of the holders attached to the Secured Bonds and Secured Notes were extinguished.

Warrants

On August 5, 2009, we, together with Skylong, Sky Infinity, Walong, Wason and Hoi Kin Hong entered into a deed poll pursuant to which we issued Warrants to the Investors with notional amount equal to 75% of the H.K. dollar equivalent of the aggregate principal amount of the Secured Bonds and Secured Notes that had not been redeemed as at the opening of business on October 1, 2009. As the Secured Bonds and the Secured Notes have been redeemed in full prior to October 1, 2009, the Warrants have zero notional amount and as such, the Warrants have lapsed and we have no further obligations with respect to the subscription rights under the Warrants.

Capitalization Issue

On September 16, 2009, we allotted and issued an aggregate of 150,000,000 Shares to Skylong as directed by Hoi Kin Hong, credited as fully paid, to settle the advances made by Hoi Kin Hong to us in the total amount of RMB1,000,000,000.

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PRC GOVERNMENTAL APPROVALS

Pursuant to the Notice on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments 《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》 promulgated by SAFE on October 21, 2005, domestic resident natural persons are required to register with the relevant local SAFE branches before they establish or come to control any offshore special purpose company for the purpose of capital raising with assets or equity interests of their PRC domestic companies. Such domestic resident natural persons are also required to amend their registrations with the local SAFE branches in specified circumstances. Two of our Controlling Shareholders, Hoi Kin Hong and Hoi Wa Fong, have completed such registration with SAFE.

On August 8, 2006, MOFCOM, the State Assets Supervision and Administration Committee (國務院國有資產監督管理委員會), the State Taxation Bureau, the State Administration of Industry and Commerce (國家工商行政管理總局), the China Securities Regulatory Committee (中國證券監督管理委員會) and SAFE jointly issued a set of new Rules on the Acquisition 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”). The M&A Rules requires that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals must obtain the approval from the China Securities Regulatory Commission prior to the listing of the securities of such offshore special purpose vehicle on an overseas stock exchange. On September 21, 2006, the China Securities Regulatory Committee published a Guideline Regarding Domestic Enterprises Indirectly Seeking Issuance of Securities Overseas or Foreign Listings 《境內企業間接到境外發行證券或者將其證券在境外上市交易》. Our PRC legal counsel, Jingtian & Gongcheng, has advised that, since none of our foreign-invested PRC subsidiaries is established by acquisition and there is no such acquisition as defined in the M&A Rules in the Reorganization, the establishment of our foreign-invested PRC subsidiaries and the Reorganization are not subject to the M&A Rules.

We and our Controlling Shareholders have complied with all applicable PRC rules and regulations, and have obtained all relevant approvals from PRC government authorities for the Reorganization.

In November 2007, MOFCOM and NDRC promulgated the revised Catalog of Guidance on Industries for Foreign Investment 《外商投資產業指導目錄》 by, among other things, moving the development of ordinary residences from the foreign-investment-encouraged category to the foreign-investment-permitted category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category. As we do not manage any business in relation to secondary market residential property trading and brokering, our PRC legal counsel, Jingtian & Gongcheng, has confirmed that given the approval procedures of the foreign-investment-encouraged category and the foreign-investment-permitted category are substantially the same, the revised Catalog of Guidance on Industries for Foreign Investment has not caused any adverse effect with respect to our current business operations.

The PRC government recently issued “Notice No. 50” 《關於進一步加強、規範外商直接投資房地產審批和監管的通知》 to further regulate the establishment of a foreign-invested real estate enterprise in China by a foreign investor, by requiring additional filing procedures with MOFCOM. The PRC government also issued Notice No. 130 to further restrict the ability of a foreign-invested real estate enterprise to increase its registered capital and apply for foreign exchange registrations after June 2007. Our PRC legal counsel, Jingtian & Gongcheng, has

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confirmed that since the issue of “Notice No. 50,” all of our newly registered foreign-invested real estate enterprises have complied with the requisite filing procedures with MOFCOM according to the requirement of “Notice No. 50” and we have obtained all the relevant approval in respect of “Notice No. 50.” We have established six foreign-invested real estate enterprises and increased the registered capital of two existing foreign-invested real estate enterprises since June 2007. Our PRC legal counsel, Jingtian & Gongcheng, has confirmed that these foreign-invested real estate enterprises have complied with the requirements under “Notice No. 130” and undertaken the requisite filing procedures with MOFCOM in relation to their respective establishment and increase in registered capital.