

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY

Our founder, Mr. Lam Lung On, commenced our property development business in 1994. Construction on our first real estate development project, Yuzhou New Manor, commenced in 1995 in Xiamen. In September 2002, we commenced construction of our Yuzhou Overseas City project, which marked a change in our direction to focus on the development of high-quality residential, retail and commercial developments. The Yuzhou Overseas City project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005 年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association (廈門市房地產業協會) and Xiamen Daily (廈門日報社).

Building on our success in the real estate development business in Xiamen and in light of the development of the economy and residential and retail property markets in China, we increased the geographical footprint of our business by commencing property development projects in Fuzhou in 2004 and in Shanghai in 2006. In September 2004, Xingzhou Co., in which we hold a 60% equity interest, entered into an agreement with an Independent Third Party to acquire the entire equity interest in Fujian Yanhai Co. at a consideration of RMB115.0 million after arm’s length negotiations based on net asset value. Fujian Yanhai Co. became a subsidiary of our Group following the acquisition and is our project company for our Yuzhou Gu Shan No. One project in Fuzhou. In August 2005, we entered into an agreement with Kangtai Co., then wholly-owned by Ms. Kwok Ying Lan and Mr. Lin Longzhi, to acquire a 90% equity interest in Yuejiang Co. at a consideration of RMB71.1 million after arm’s length negotiations based on net asset value. In August 2006, we entered into an agreement with each of Ms. Kwok Ying Lan and Mr. Lin Longzhi to acquire a 55% and 45% equity interest in Kangtai Co. for RMB16.5 million and RMB13.5 million, respectively, after arm’s length negotiations based on net asset value. Yuejiang Co. and Kangtai Co. became wholly-owned subsidiaries of our Group following the acquisitions and are our project companies for Phases I and II, respectively, for our Yuzhou Jinqiao International project in Shanghai.

We began to engage in large-scale commercial property development with our acquisition of The Mall at Phase I of Yuzhou World Trade Center in February 2007 through the acquisition of the entire equity interests in Guifeng Co., an Independent Third Party at the time, at a consideration of RMB258 million after arm’s length negotiations with reference to net asset value. Our Yuzhou International Hotel project, which also commenced construction in 2007, marks our entry into the hotel property development market.

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HISTORY, REORGANIZATION AND GROUP STRUCTURE

Our Group also acquired the following companies after arm’s length negotiations based on net asset value on the dates and for the consideration listed in the following table. All of the companies acquired were Independent Third Parties prior to the acquisitions.

<u>Company Acquired</u>	<u>Interest Acquired</u>	<u>Consideration (in RMB’000 except as otherwise indicated)</u>	<u>Acquisition Date</u>	<u>Project Associated with the Company Acquired</u>
Xiamen Huaqiaocheng Co. ⁽¹⁾	100%	20,000	October 2001/May 2008	Yuzhou Overseas City
Singapore Diyuan	100%	Singapore Dollar 2.4 million	May 2004	Yuzhou Diyuan Manor
Hai Tian Co.	100%	US\$2.0 million	June 2005	Yuzhou Hai Tian Plaza
Shanghai Yanhai Co. ⁽¹⁾	100%	137,252	September 2006/January 2007	Phase III of Yuzhou Jinqiao International
Kangli Co. ⁽¹⁾	100%	22,400	March 2007/September 2007	Phase II of Yuzhou Huaqiao City
Yingfeng Co.	80%	409,425	March 2007	Oriental Venice
Ludong Co. ⁽¹⁾	100%	27,967	July 2007/January 2008	Phase I of Yuzhou Huaqiao City
Philippines International	60%	HK\$30.0 million	May 2004	Yuzhou Yuanbo City
Philippines International	40%	400,000	September 2007	Yuzhou Yuanbo City
Liyade Co.	100%	39,609	August 2007	Phase IV of Yuzhou Jinqiao International

Note:

(1) The interests in these entities were acquired by us in separate transactions. The percentages of interest acquired and amounts of consideration represent the aggregate percentages and amounts of the transactions.

The above companies acquired by our Group possessed only land use rights or properties under development and only pre-construction work (such as planning) had been performed at the time of acquisition and the business operations of the acquired companies were not transferred to our Group. Therefore, the acquisitions did not constitute acquisitions of business as defined under HKFRS 3 and were categorized as acquisitions of net assets for accounting purpose.

With the development and expansion of our business, our group structure expanded to include a series of operating and project subsidiaries ultimately owned by our Controlling Shareholders. With the increasing number of operating and project companies within the Group, our Controlling Shareholders decided that it would be more effective and efficient to manage all of these companies through a single entity, our Company. Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui form the core management of the Group and were responsible for the results of the Group for 2006, 2007 and 2008. All of our Directors will continue to be involved in the management of the Company after the Reorganization.

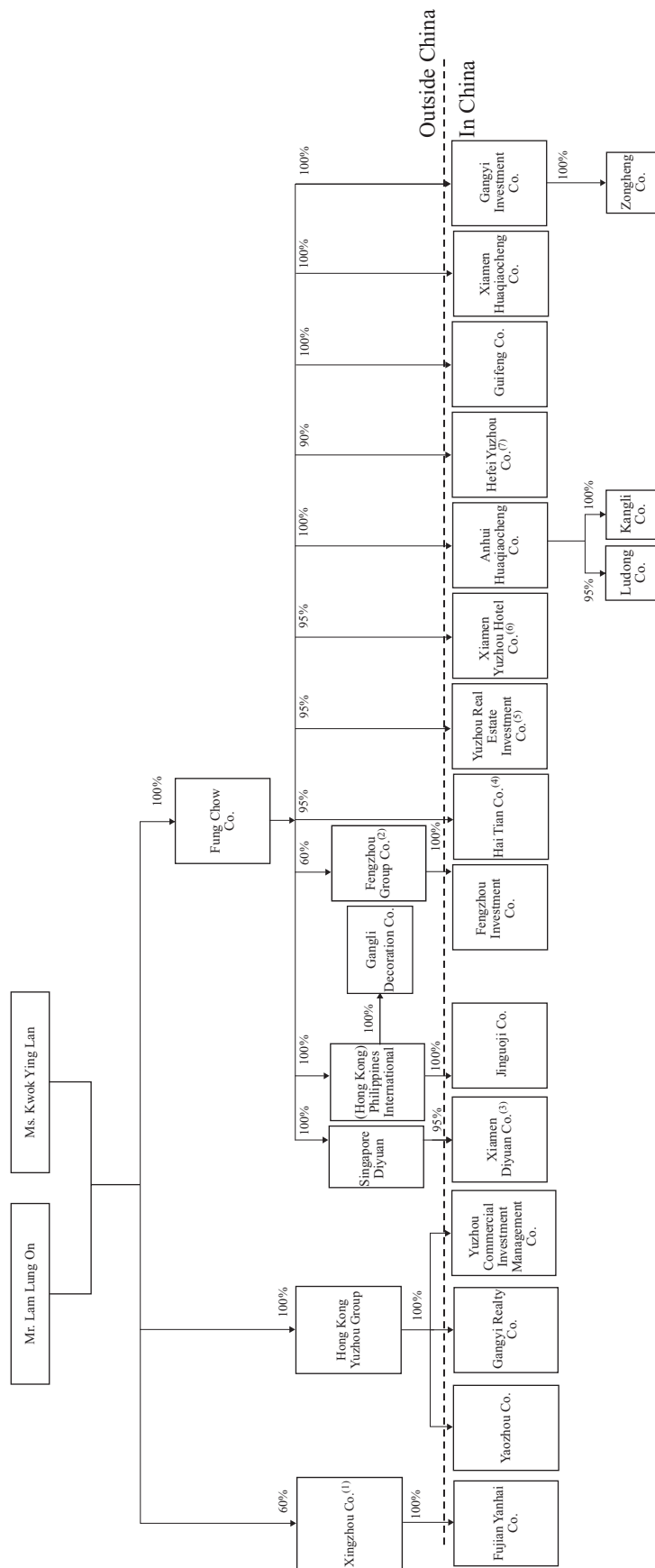
As of August 31, 2009, we had 18 projects at various stages of development located in Xiamen, Shanghai, Fuzhou and Hefei. Our business has expanded to include projects used or to be used as office buildings, shopping malls, hotels as well as residential properties. Most of our projects include retail shop units and car park spaces that we hold for investment purposes and from which we receive rental income.

REORGANIZATION

In 2008, the Group commenced the Reorganization. As part of the Reorganization, the Company was incorporated on April 23, 2008 in the Cayman Islands to be the ultimate holding company for all of the Group’s operating and project subsidiaries, engaging in residential and commercial property development, property management and property leasing services.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

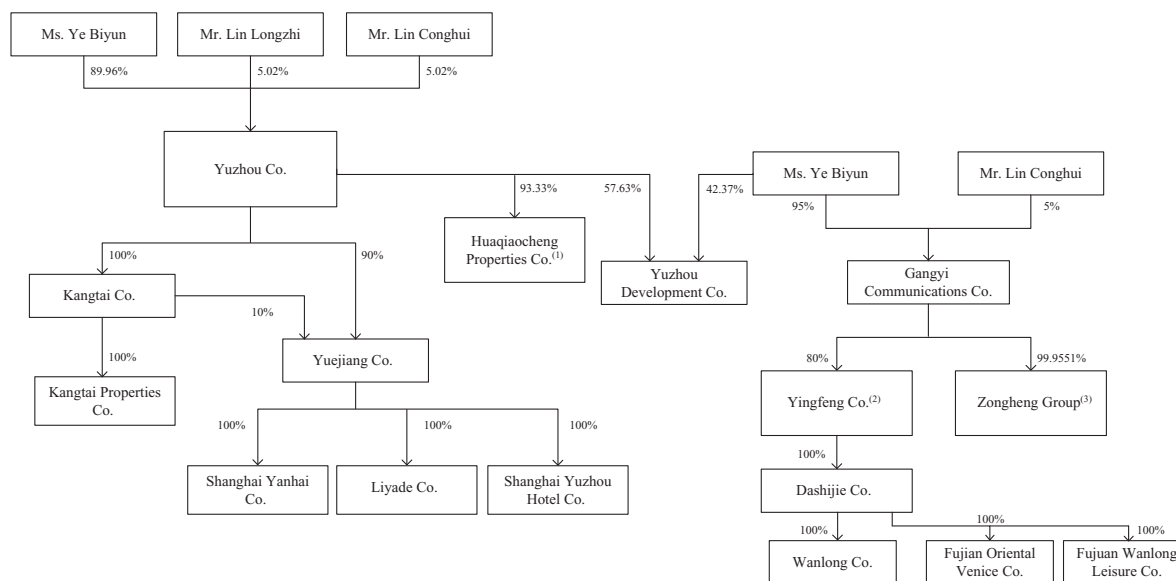
The following charts set out our shareholding structure immediately prior to the Reorganization (all percentages shown are approximate figures).



Notes:

- (1) The other shareholders of Xingzhou Co. are Mr. Chan Chieh Chung holding 30% equity interest and Mr. Chan Kam Lit holding 10% equity interest. Mr. Chan Chieh Chung and Mr. Chan Kam Lit are Independent Third Parties.
- (2) The other shareholders of Fengzhou Group Co. are Sanfull Investment Limited holding 30% equity interest and Fengnin Investment Company Limited holding 10% equity interest. Sanfull Investment Limited and Fengnin Investment Company Limited are Independent Third Parties.
- (3) The other shareholder of Xiamen Diyuan Co. is Xiamen Municipal Kaiyuan State-owned Assets Development Co., Ltd., holding a 5% equity interest. Xiamen Municipal Kaiyuan State-owned Assets Development Co., Ltd. is an Independent Third Party.
- (4) The other shareholder of Hai Tian Co. is Yuzhou Development Co., which became one of our subsidiaries after completion of the Reorganization, holding a 5% equity interest.
- (5) The other shareholder of Yuzhou Real Estate Investment Co. is Yuzhou Development Co., which became one of our subsidiaries after completion of the Reorganization, holding a 5% equity interest.
- (6) The other shareholder of Xiamen Yuzhou Hotel Co. is Yuzhou Development Co., which became one of our subsidiaries after completion of the Reorganization, holding a 5% equity interest.
- (7) The other shareholder of Hefei Yuzhou Co. is Ms. Zhu Hua, holding a 10% equity interest. Ms. Zhu Hua is an Independent Third Party.

HISTORY, REORGANIZATION AND GROUP STRUCTURE



Notes:

- (1) The other shareholder of Huaqiaocheng Properties Co. is Mr. Lin Conghui, one of our executive Directors, holding a 6.67% equity interest.
- (2) The other shareholder of Yingfeng Co. is Mr. Liu Yu, holding a 20% equity interest. Mr. Liu Yu was an Independent Third Party prior to our Company’s Reorganization but became a connected person of our Company upon completion of Reorganization.
- (3) The other three shareholders of Zongheng Group are Mr. Du Rusheng, Mr. Yang Ze and Ms. Fu Miaoling, holding a 0.02251%, 0.01239% and 0.01% equity interest, respectively. Mr. Du Rusheng, Mr. Yang Ze and Ms. Fu Miaoling are Independent Third Parties.

As Mr. Lam Lung On and Ms. Kwok Ying Lan, both of whom are Hong Kong residents, were required to travel frequently for business and personal reasons, for the purpose of reducing their burden of routine administrative work in relation to Yaozhou Co., Gangyi Investment Co., Yuzhou Co., Kangtai Co., Huaqiaocheng Properties Co., Yuzhou Development Co., Gangyi Communications Co. and Fengzhou Investment Co., one or more of Mr. Lam Lung On and Ms. Kwok Ying Lan entered into eight entrustment agreements during the period from 2001 to 2008 with certain of their relatives, including Mr. Lin Longzhi, Mr. Lin Conghui, Ms. Ye Biyun and Mr. Lin Longtong, pursuant to which such relatives held interests in Yaozhou Co., Gangyi Investment Co., Yuzhou Co., Kangtai Co., Huaqiaocheng Properties Co., Yuzhou Development Co., Gangyi Communications Co. and Fengzhou Investment Co. as trustees on behalf of Mr. Lam Lung On and/or Ms. Kwok Ying Lan. Details of entrustment agreements in relation to Yaozhou Co., Gangyi Investment Co., Yuzhou Co., Kangtai Co., Huaqiaocheng Properties Co., Yuzhou Development Co. and Gangyi Communications Co. are set out in paragraphs (j), (p), (x), (y), (ee), (ff) and (gg) of “Statutory and General Information — Further information about our Company — Changes in share capital of our Group — Our subsidiaries”. Our PRC legal advisor has advised us that (i) prior to the Reorganization and during the three years ended December 31, 2008 and the six months ended June 30, 2009, in respect of these eight entrustment arrangements, Mr. Lam Lung On and Ms. Kwok Ying Lan were subject to the risk that they may not have been able to assert their rights against third parties as the respective beneficial owners of the above PRC companies if the trustees did not act in accordance with the entrustment arrangements, but would only have had claims against the trustees pursuant to the relevant entrustment agreements; and (ii) the entering into and the content of the eight entrustment agreements above did not contravene existing laws and regulations of the PRC and were valid and legally binding on the parties thereto. Prior to the Reorganization and during the three years ended December 31, 2008 and the six months ended June 30, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan had been able to exercise all their

HISTORY, REORGANIZATION AND GROUP STRUCTURE

rights as shareholders under the above entrustment agreements. All eight entrustment arrangements were terminated as part of the Reorganization.

The Reorganization consisted of the following transactions:

On January 3, 2008, Yuzhou Co. and Ms. Ye Biyun entered into an equity transfer agreement by which Yuzhou Co. acquired 42.37% equity interest in Yuzhou Development Co. from Ms. Ye Biyun at the consideration of RMB10,000,000, which was equivalent to 42.37% of the registered capital of Yuzhou Development Co. Ms. Ye Biyun is the mother of Ms. Kwok Ying Lan, our executive Director and General Manager. The acquisition was completed on January 24, 2008, upon which Yuzhou Development Co. was held as to 100% by Yuzhou Co.

On January 3, 2008, Yuzhou Co. and Mr. Lin Conghui entered into an equity transfer agreement by which Yuzhou Co. acquired 6.67% equity interest in Huaqiaocheng Properties Co. from Mr. Lin Conghui at the consideration of RMB200,000, which was equivalent to 6.67% of the registered capital of Huaqiaocheng Properties Co. The acquisition was completed on January 24, 2008, upon which Huaqiaocheng Properties Co. was held as to 100% by Yuzhou Co.

On January 27, 2008, Gangyi Investment Co. entered into equity transfer agreements with each of Ms. Ye Biyun and Mr. Lin Conghui by which Gangyi Investment Co. acquired 95% equity interest in Gangyi Communications Co. from Ms. Ye Biyun at the consideration of RMB4,750,000, which was equivalent to 95% of the registered capital of Gangyi Communications Co., and 5% equity interest in Gangyi Communications Co. from Mr. Lin Conghui at the consideration of RMB250,000, which was equivalent to 5% of the registered capital of Gangyi Communications Co. The acquisitions were completed on January 29, 2008, upon which Gangyi Communications Co. was held as to 100% by Gangyi Investment Co.

On January 7, 2008, (i) Guifeng Co. and Mr. Lin Longzhi entered into an equity transfer agreement by which Guifeng Co. acquired 5.02% equity interest in Yuzhou Co. from Mr. Lin Longzhi at the consideration of RMB2,800,000, which was equivalent to 5.02% of the registered capital of Yuzhou Co., (ii) Jinguoji Co. and Mr. Lin Conghui entered into an equity transfer agreement by which Jinguoji Co. acquired 5.02% equity interest in Yuzhou Co. from Mr. Lin Conghui at the consideration of RMB2,800,000, which was equivalent to 5.02% of the registered capital of Yuzhou Co., and (iii) Gangyi Investment Co. and Ms. Ye Biyun entered into an equity transfer agreement by which Gangyi Investment Co. acquired 89.96% equity interest in Yuzhou Co. from Ms. Ye Biyun at the consideration of RMB50,200,000, which was equivalent to 89.96% of the registered capital of Yuzhou Co. The acquisitions were completed on January 28, 2008, upon which Yuzhou Co. was held as to 89.96% by Gangyi Investment Co., 5.02% by Jinguoji Co. and 5.02% by Guifeng Co..

On January 24, 2008, Gangyi Communications Co. and Gangyi Capital Co. entered into an equity transfer agreement by which Gangyi Capital Co. acquired 99.9551% equity interest in Zongheng Group from Gangyi Communications Co. at the consideration of approximately RMB168,224,000, which was equivalent to 99.9551% of the purchase price of Zongheng Group. The acquisition was completed on January 28, 2008, upon which Zongheng Group was held as to 99.9551% by Gangyi Capital Co., 0.02251% by Mr. Du Ru Sheng, 0.01239% by Yang Ze and 0.01% by Ms. Fu Miao Ling.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

On January 3, 2008, Gangyi Investment Co. and Yaozhou Management Co. entered into an equity transfer agreement by which Yaozhou Management Co. acquired 100% equity interest in Zongheng Co. from Gangyi Investment Co. at the consideration of RMB5,000,000, which was equivalent to 100% of the registered capital of Zongheng Co. The acquisition was completed on January 24, 2008, upon which Zongheng Co. was held as to 100% by Yaozhou Management Co.

On January 20, 2008, Anhui Huaqiaocheng Co. and Mr. Li Yonghao entered into an equity transfer agreement by which Anhui Huaqiaocheng Co. acquired 5% equity interest in Ludong Co. from Mr. Li Yonghao at the consideration of RMB400,000, which was equivalent to 5% of the registered capital of Ludong Co. The acquisition was completed on March 18, 2008, upon which Ludong Co. was held as to 100% by Anhui Huaqiaocheng Co. On March 1, 2008, Anhui Huaqiaocheng Co. and Yuzhou Development Co. entered into an equity transfer agreement by which Yuzhou Development Co. acquired 5% equity interest in Ludong Co. from Anhui Huaqiaocheng Co. at the consideration of RMB4,000,000, which was equivalent to 5% of the registered capital of Ludong Co. The acquisition was completed on March 18, 2008, upon which Ludong Co. was held as to 95% by Anhui Huaqiaocheng Co. and 5% as to Yuzhou Development Co..

On March 18, 2008, Fengnin International Limited and Fung Chow Co. entered into an equity transfer agreement by which Fung Chow Co. acquired 15% equity interest in Xiamen Huaqiaocheng Co. from Fengnin International Limited at the consideration of RMB3,000,000, which was equivalent to 15% of the registered capital of Xiamen Huaqiaocheng Co. The acquisition was completed on May 15, 2008, upon which Xiamen Huaqiaocheng Co. was held as to 100% by Fung Chow Co.

On April 8, 2008, Ms. Zhu Hua and Fung Chow Co. entered into an equity transfer agreement by which Fung Chow Co. acquired 10% equity interest in Hefei Yuzhou Co. from Ms. Zhu Hua at the consideration of US\$600,000, which was equivalent to 10% of the registered capital of Hefei Yuzhou Co. The acquisition was completed on May 28, 2008, upon which Hefei Yuzhou Co. was held as to 100% by Fung Chow Co.

The consideration for each of the above share transfer transactions has been fully settled.

Fujian Oriental Venice Co. and Fujian Wanlong Leisure Co. completed the cancellation of their registrations with Fuzhou Administration for Industry and Commerce on August 7, 2008.

On November 11, 2008, the registered capital of Xiamen Diyuan Co. was increased from RMB8,000,000 to RMB20,000,000, of which all was contributed by Singapore Diyuan.

After the completion of the above reorganization steps, Zongheng Co. and Zongheng Group are no longer a part of our Group, and Fujian Oriental Venice Co. and Fujian Wanlong Leisure Co. have been dissolved.

On April 23, 2008, our Company was incorporated as an exempted company with limited liability in the Cayman Islands to be used as the ultimate holding company of our Group. As of April 23, 2008, 100 shares of US\$1.00 each were issued, of which 50 shares were held by Mr. Lam

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Lung On and the remaining 50 shares were held by Ms. Kwok Ying Lan. On the same date, BVI Co. was incorporated in the BVI as a company with limited liability and its 100 shares were wholly-owned by our Company. BVI Co. was established to serve as an intermediate holding company through which our Company holds all interests in Xingzhou Co., Hong Kong Yuzhou Group and Fung Chow Co., as well as interests in their respective subsidiaries.

Our Company's authorized share capital was subsequently increased and the nominal value of its Shares were re-denominated from US\$1.00 each to HK\$0.10 each.

Pursuant to written resolutions passed by Mr. Lam Lung On and Ms. Kwok Ying Lan, shareholders of our Company, on September 14, 2009 the authorized share capital of our Company was increased by HK\$5,000 by the creation of 50,000 Shares of HK\$0.10 each. Our Company allotted and issued 50 Shares and 50 Shares, respectively, credited as fully paid, to Mr. Lam Lung On and Ms. Kwok Ying Lan. Directors of our Company were authorized to implement the repurchase of existing shares and apply the proceeds from the issue of the Shares towards the repurchase of existing shares. Immediately after the increase in its authorized share capital and the above issue of Shares, our Company repurchased all 100 existing issued shares of US\$1.00 each in the capital of our Company in issue and cancelled such shares. The authorized share capital of our Company was diminished by the cancellation of 50,000 shares of US\$1.00 each in the capital of our Company.

Upon completion of all the above steps, the authorized share capital of our Company became HK\$5,000 divided into 50,000 Shares of HK\$0.10 each.

In order to acquire interests in Xingzhou Co., Hong Kong Yuzhou Group and Fung Chow Co. as well as interests in their respective subsidiaries, the following reorganization steps were taken:

- Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan as shareholders of Xingzhou Co. agreed to transfer, in aggregate, their entire interests in Xingzhou Co., being 6,000 shares representing 60% shareholding interest, to BVI Co. in consideration of the sum of HK\$2.00.
- Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan as shareholders of Hong Kong Yuzhou Group agreed to transfer, in aggregate, their entire interests in Hong Kong Yuzhou Group, being 100% shareholding interest, to BVI Co. in consideration of the sum of HK\$2.00.
- Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan as shareholders of Fung Chow Co. agreed to transfer, in aggregate, their entire interests in Fung Chow Co., being 100% shareholding interest, to BVI Co. in consideration of the sum of HK\$406,162,968.00.

Upon completion of the above reorganization steps outside the PRC:

- BVI Co., Mr. Chan Chieh Chung and Mr. Chan Kam Lit became the three shareholders of Xingzhou Co.;

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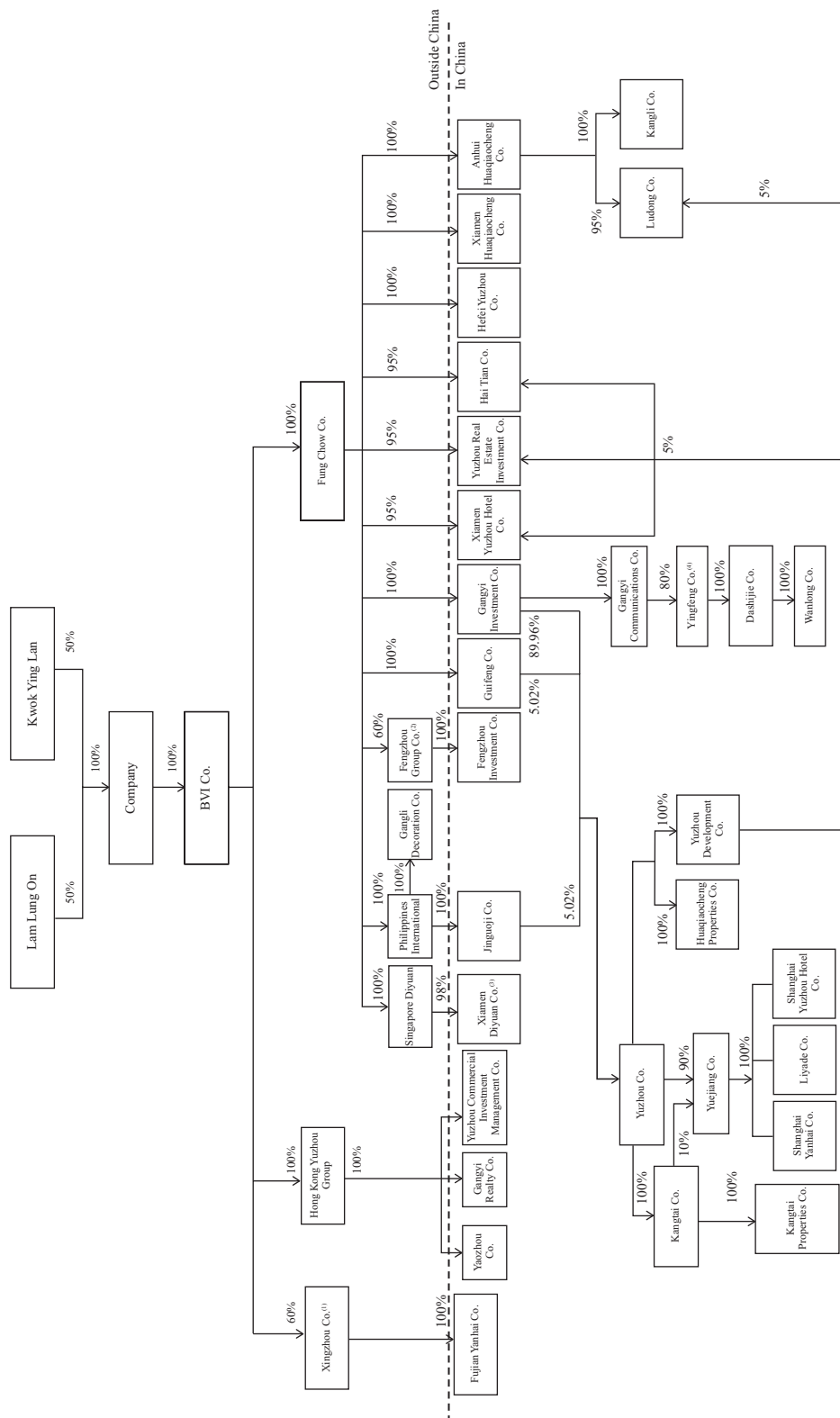
HISTORY, REORGANIZATION AND GROUP STRUCTURE

- BVI Co. became the sole shareholder of Hong Kong Yuzhou Group and Fung Chow Co.;
- Our Company became the ultimate shareholder of companies within our Group; and
- Mr. Lam Lung On and Ms. Kwok Ying Lan became the ultimate shareholders of our Company and our Group.

The existing advances between our Controlling Shareholders and/or their associates on the one hand and subsidiaries within our Group on the other hand, have been settled in full by way of cash. As of September 1, 2009, there was an outstanding advance of HK\$809,362,447 provided by Mr. Lam Lung On and Ms. Kwok Ying Lan in equal proportions to our Company. Such advance was settled in full as part of the Reorganization by the issue of 403,199,479 Shares to Mr. Lam Lung On and 403,199,479 Shares to Ms. Kwok Ying Lan, respectively, on October 9, 2009.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following chart sets out the corporate structure of our Company immediately after completion of the Reorganization:



Notes:

- (1) The other shareholders of Xingzhou Co. are Mr. Chan Chieh Chung holding 30% equity interest and Mr. Chan Kam Lit holding 10% equity interest, respectively.
- (2) The other shareholders of Fengzhou Group Co. are Sanfull Investment Limited holding 30% equity interest and Fenglin Investment Company Limited holding 10% equity interest, respectively.
- (3) The other shareholder of Xiamen Diyuanti Co. is Xiamen Municipal Kaitiyuan State-owned Assets Development Co., Ltd., holding a 2% equity interest. Xiamen Municipal Kaitiyuan State-owned Assets Development Co., Ltd. is an Independent Third Party.
- (4) The other shareholder of Yingfeng Co. is Mr. Liu Yu, holding a 20% equity interest. Mr. Liu Yu is a connected person of our Company by virtue of his substantial shareholding in Yingfeng Co. Other than that, Mr. Liu Yu is independent of our Company and any of its connected persons.