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## **CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE**

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### **OUR COMPANY**

We were incorporated under the laws of the Cayman Islands on June 4, 2007. As a result of the Reorganization to be effected in anticipation of [●], we will become the ultimate holding company of our various subsidiaries. Further details of the Reorganization are set out in the paragraphs headed “Reorganization” below.

### **HISTORY AND DEVELOPMENT**

In March 1996, Li Wa, our founder and our Chairman, who is a Hong Kong resident, together with his brother, Li Xiaoping, our Vice Chairman of the Board and President, established Excellence Hong Kong which in turn established Excellence Industrial (Shenzhen) Co. Ltd. as a wholly foreign owned enterprise in China to commence our property development operations in Shenzhen in June 1996. At the time of its establishment, Excellence Industrial (Shenzhen) Co. Ltd. had a registered capital of HK\$10.0 million.

With a view to broadening the capital base of Excellence Industrial (Shenzhen) Co., Ltd, in December 1996, Excellence Hong Kong transferred 10% of its equity interest in Excellence Industrial (Shenzhen) Co., Ltd. to an independent third party and the registered capital of Excellence Industrial (Shenzhen) Co., Ltd. was increased at the same time to HK\$50.0 million and was held as to 90% by Excellence Hong Kong and as to 10% by the independent third party. Such capital increase has complied with the relevant PRC requirements and obtained all relevant certificates and approvals.

In 1999, we expanded our business to property management and, together with an independent third party, established Excellence Property Management to conduct property management business.

In May 2001, as part of our business expansion plans and strategies, and with a view to taking full stake in Excellence Industrial (Shenzhen) Co. Ltd., Excellence Hong Kong reacquired the 10% interest in Excellence Industrial (Shenzhen) Co. Ltd. from the independent third party and changed the name of Excellence Industrial (Shenzhen) Co. Ltd. into its present name of Excellence China.

In November 2003, the registered capital of Excellence China was increased to HK\$137.9 million, which was further increased to HK\$400.0 million in September 2005 and HK\$750.0 million in December 2007. Each of the capital increase has complied with the relevant PRC requirements and obtained all relevant certificates and approvals.

Prior to 2004, all our property development projects were primarily undertaken by Excellence China. In 2004, as we participated in projects on a co-development basis and as we expanded our operations outside Shenzhen, we began to establish project companies through Excellence China to undertake property development projects and acquired certain project companies that hold land from independent third parties for the purpose of expanding our land bank.

In 2004, we established Meisha Seaview, Wuhan Excellence, Changsha Excellence and Chongqing Wanshang for the purpose of undertaking various property development projects.

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During 2005 and 2006, we established Shandong Excellence, Excellence Qingdao, Excellence Commercial and Wanshang Marketing, and acquired Hunan Lushan, Guangzhou Guixin, Shenzhen Pengyue, Wuhan Zhenghe and Shenzhen Excellence to undertake our property development and property rental and management projects.

Our controlling shareholder has maintained controlling ownership in each of our principal operating subsidiaries during the Track Record Period and the companies we acquired since completion of the acquisitions of such companies.

In or about 2002, in view of the increasing number of project companies and operating subsidiaries within our Group, Li Wa decided that it would be more effective and efficient to manage all companies in the group through a core management team led by himself and Li Xiaoping. This core management team comprises all six executive Directors, namely Li Wa, Li Xiaoping, Wang Dou, Xie Limin, Duan Shijun and Zhang Yuan (since March 17, 2006), and was responsible for the performance of our group during the entire Track Record Period. They maintain control in management and operations of all of our subsidiaries. Li Wa was appointed as a director of most of the board of the operating subsidiaries to oversee their strategic developments and the directors of these companies and subsidiaries, other than the members of the senior management team, were either appointed to carry out the administrative works or to fulfill the legislative requirements. The core management team centralizes the management of the project companies and operating subsidiaries and is responsible for all major decisions of the project companies and operating subsidiaries. All relevant matters relating to the project companies and operating subsidiaries, including the development and implementation of business strategies, investment, budget, project development and general management of these project companies and operating subsidiaries, are reported to this core management team on a regular basis. The core management team would then assess the issues and make the relevant decisions for the project companies and operating subsidiaries to implement. The core management team will continue to be responsible for the management of our group after [●].

We continue our expansion in 2007 and prior to the commencement of the Reorganization, established Excellence Weigang, Excellence Chengdu, Shenzhen Zhaohe and Excellence Eastern and acquired Shenzhen Qi’nian and Dongguan Zhongtian for the purpose of engaging in Yonggao property development projects.

We have further expanded in late 2007 and 2008 by establishing a number of onshore companies including Shenzhen Bangye, Shenzhen Dongrunze, Shenzhen Xinjinze, Shenzhen Xinweiran, Huizhou Luofu Shan, Shenzhen Xianghua, Huizhou Baisheng, Qingdao Excellence Industrial, Qingdao Excellence Real Estate and Shenzhen Kangyue, and acquiring a number of onshore companies including Lianyungang Tianqian, Lianyungang Tianjun, Shenzhen Jinliju, Lianyungang Tianxingjian, Lianyungang Ruihao, Shenzhen Pengrun, Shenzhen Dabaihui and Hangzhou Hengxing.

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The table below sets forth the particulars of the project companies established or acquired between 2004 and prior to the commencement of the Reorganization:

<u>Name of project company</u>	<u>Principal activities</u>	<u>Type of entity</u>	<u>Development projects undertaken</u>	<u>Note</u>
Meisha Seaview	Property development	Company with limited liability and our 51% owned subsidiary	—	(9)
Wuhan Excellence	Property development	Company with limited liability and our wholly owned subsidiary	Wuhan Cote d’Azur (武漢蔚藍海岸)	
Changsha Excellence	Property development	Company with limited liability and our wholly owned subsidiary	Changsha Cote d’Azur (長沙蔚藍海岸)	
Chongqing Wanshang	Property development	Company with limited liability and our wholly owned subsidiary	Chongqing Excellence Mart (重慶光彩大市場)	
Shandong Excellence	Property development	Company with limited liability and our 61% owned subsidiary	—	(9)
Excellence Qingdao	Property development	Company with limited liability and our wholly owned subsidiary	Qingdao Azure Archipelagoes (青島蔚藍群島)	
Excellence Commercial	Property development	Joint venture enterprise and our <u>70%</u> owned subsidiary	—	(9)
Wanshang Marketing	Property rental and management	Company with limited liability and our 99% owned subsidiary	—	(9)
Hunan Lushan	Property development	Company with limited liability and our <u>90%</u> owned subsidiary	Changsha Valley Villa (長沙麓山別墅)	(1)
Guangzhou Guixin	Property rental and management	Company with limited liability and our 90% owned subsidiary	—	(2),(9)
Shenzhen Pengyue	Property development	Company with limited liability and our 75% owned subsidiary	Shenzhen Repulse Bay (深圳淺水灣花園)	(3)

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Name of project company	Principal activities	Type of entity	Development projects undertaken	Note
Wuhan Zhenghe	Property development	Joint venture enterprise and our wholly owned subsidiary	—	(4),(9)
Shenzhen Excellence	Property development	Joint venture enterprise and our wholly owned subsidiary	Shenzhen Excellence Times Plaza (Phase 1) (深圳卓越時代廣場第一期)	(5)
Excellence Century City	Property development	Joint venture enterprise and our wholly owned subsidiary	Shenzhen City Central Garden (深圳城市中心花園) and Shenzhen Excellence Century Center (深圳卓越世紀中心)	(6)
Excellence Weigang	Property development	Company with limited liability and our 99.25% owned subsidiary	Shenzhen Victoria Harbour (深圳維港名苑)	
Excellence Chengdu	Property development	Company with limited liability and our wholly owned subsidiary	—	(9)
Shenzhen Zhaohe	Property development	Company with limited liability and our wholly owned subsidiary	—	(9)
Excellence Eastern	Property development	Company with limited liability and our wholly owned subsidiary	—	(9)
Shenzhen Qi'nian	Property development	Company with limited liability and our wholly owned subsidiary	Shenzhen Excellence Times Plaza (Phase 2) (深圳卓越時代廣場二期)	(7)
Dongguan Zhongtian	Property development	Company with limited liability and our 80% owned subsidiary	Dongguan Azure Polis (東莞蔚藍城邦)	(8)

- (1) In December 2006, Excellence China acquired 60% interest in Hunan Lushan from Hunan Kaida, an independent third party, at a consideration of Rmb 11,700,000, which was determined after arm's length negotiations between the parties. In March 2007 and March 2008, Excellence China further acquired 30% and 10% interests in Hunan Lushan from Hunan Kaida, respectively at a consideration which was determined after arm's length negotiations between the parties.
- (2) In July 2006, Excellence China acquired 90% interest in Guangzhou Guixin from Shenzhen Feilixing Investment Co., Ltd. (深圳市菲利興投資有限公司), an independent third party, at a consideration of Rmb 2,700,000, which was

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determined based on the registered capital of Guangzhou Guixin at the time of transfer. In October 2008, Excellence China further acquired 10% interest in Guangzhou Guixin from Shenzhen Yuelang at a consideration which was determined after arm’s length negotiations between the parties.

- (3) In May 2005, Excellence China acquired 49% interest in Shenzhen Pengyue from Shenzhen Baolicheng Industrial Co., Ltd. (深圳市保利城實業有限公司), an independent third party, at a consideration of Rmb 9,800,000, which was determined after arm’s length negotiations between the parties. In July 2005, Excellence China further acquired 10% and 16% interests in Shenzhen Pengyue from Excellence Century City and Shenzhen Shengce at a consideration which was determined based on the registered capital of Shenzhen Baolicheng Industrial Co., Ltd. at the time of transfer.
- (4) In September 2005, Excellence China and Excellence Hong Kong acquired 75% and 25% interests in Wuhan Zhenghe from Shenzhen Jingtianwei Investment Development Co., Ltd. (深圳市經天緯投資發展有限公司) and Chen Xiaoe (陳曉娥), respectively, independent third parties, at an aggregate of consideration of Rmb 11,280,000 (excluding land costs), which were determined after arm’s length negotiations between the parties.
- (5) In February 2005, Excellence China and Excellence Hong Kong acquired 75% and 25% interests, respectively in Shenzhen Excellence from Chuangya Holding Co., Ltd. (創雅集團有限公司), an independent third party, at an aggregate consideration of Rmb 320,000,000, which was determined after arm’s length negotiations between the parties.
- (6) As Excellence Century City holds the Shenzhen City Central Garden project and with a view to undertaking the development of the Shenzhen City Central Garden project, in July 2000, Excellence China acquired 40% interest in Excellence Century City from Xianyi Investment Co., Ltd. (先怡投資有限公司), a company owned and controlled by Wong Ping (王平), the uncle of Li Wa and Li Xiaoping, and Peng Ying (彭英), the aunt of Li Wa and Li Xiaoping, at a consideration of Rmb 12,000,000, which was determined based on the registered capital of Excellence Century City at the time of transfer. In May 2006, Excellence Hong Kong acquired 33.3%, 26.7% and 30% interests in Excellence Century City from Hainan Zhongyin Industrial Co., Ltd. (海南中銀實業有限公司), Xianyi Investment Co., Ltd. and Excellence China, respectively at a consideration which was determined based on the registered capital of Excellence Century City at the time of transfer. As a result, Excellence Hong Kong and Excellence China held 90% and 10% interest, respectively, in Excellence Century City. On September 16, 2006, Excellence Century City increased its registered capital to HK\$100 million, based on a contribution of HK\$70 million by Excellence China. Pursuant to this increase in capital, Excellence Century City was held as to 27% and 73% by Excellence Hong Kong and Excellence China, respectively.
- (7) In December 2006, Excellence China acquired 100% interest in Shenzhen Qi’nian from Shenzhen Qi’nian Industrial Development Co., Ltd. (深圳市祈年實業發展有限公司), an independent third party. In January 2007, Excellence Commercial acquired 100% interest in Shenzhen Qi’nian from Excellence China, at a consideration of Rmb 230,822,082, which was determined after arm’s length negotiations between the parties. In April 2008, Shenzhen Kangyue acquired 100% interest in Shenzhen Qi’nian from Excellence Commercial at a consideration which was determined based on the net asset value of Shenzhen Qi’nian at the time of transfer. In July 2008, Shenzhen Xinjinze acquired 100% interest in Shenzhen Qi’nian from Shenzhen Kangyue at a consideration which was determined after arm’s length negotiations between the parties. We held a 100% equity interest in Shenzhen Qi’nian through South Smart, which is wholly owned by Excellence BVI. Pursuant to a share transfer agreement between Excellence BVI and HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司), or HNA Group, dated October 12, 2009, Excellence BVI agreed to transfer a 99% interest in South Smart to HNA Group. The transfer is expected to be completed in June 2010. Excellence BVI further agreed to transfer the remaining 1% interest in South Smart to HNA Group for US\$1.00 either (i) when HNA Group transfers its equity interest in South Smart to a third party or (ii) five years after the transfer of the 99% interest in South Smart to HNA Group, whichever is earlier.

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- (8) In May 2007, Excellence China acquired 70% interest in Dongguan Zhongtian from Liu Jianxin (劉建新), an independent third party, at a consideration of Rmb 14,000,000, which was determined based on the registered capital of Dongguan Zhongtian at the time of transfer. During the same period, Excellence China acquired 10% interest in Dongguan Zhongtian from Zhou Yindui (周尹堆), an independent third party, at a consideration of Rmb 2,000,000, which was determined based on the registered capital of Dongguan Zhongtian at the time of transfer.
- (9) These project companies did not undertake any development project between 2004 and prior to the commencement of Reorganization in June 2007. These project companies were established and acquired to undertake projects for future development.

In February 2008, in preparation for the [●] and as part of the Reorganization the shareholdings of Li Wa and Li Xiaoping in Excellence Hong Kong were exchanged for Shares in our company and we became the ultimate holding company of all the businesses of our group.

The following table sets forth some of the major milestones in the history of our development:

1996	Establishment of Excellence China to engage in residential property development activities
1998	Commencement of the development of Shenzhen Cote d’Azur, our first large-scale residential development project
2004-2005	Establishment of branch companies to pursue property development opportunities outside of Shenzhen
2006	Completion of Shenzhen Excellence Times Plaza (Phase 1), our first landmark Grade A office development in Shenzhen CBD
2007	Commencement of the Reorganization in preparation for [●]

### Current Status

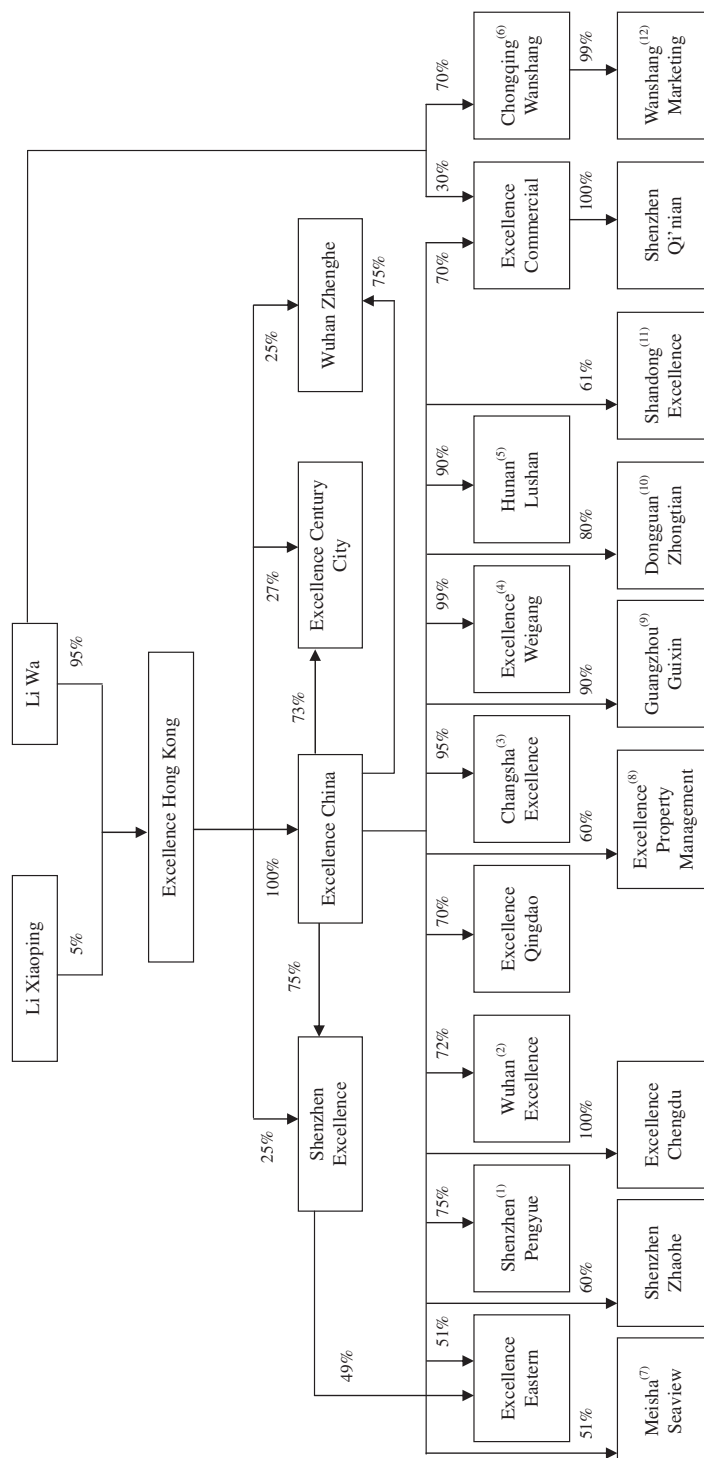
As of June 30, 2009, we had 14 projects under development or held for future development in Shenzhen and Neighboring Area, Changsha, Qingdao, Wuhan, Chongqing and Lianyungang.

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### REORGANIZATION

In mid-2007, our group commenced our Reorganization in preparation for our [●]. As part of our Reorganization, we incorporated Excellence Real Estate Group Limited on June 4, 2007 in the Cayman Islands to be the ultimate holding company for all of our operating and project subsidiaries.

The corporate structure of our group immediately prior to our Reorganization was as follows:



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- (1) Shenzhen Shengce held the remaining 25% interest in Shenzhen Pengyue.
- (2) Wuhan Huayuan, an independent third party, held the remaining 28% interest in Wuhan Excellence.
- (3) Li Xiaoping held the remaining 5% interest in Changsha Excellence.
- (4) Shenzhen Shekou, an independent third party, held the remaining 1% interest in Excellence Weigang.
- (5) Hunan Kaida, an independent third party, held the remaining 10% interest in Hunan Lushan.
- (6) Li Xiaohong (李小紅), the sister of Li Wa and Li Xiaoping, held 29% interest in Chongqing Wanshang on trust for Li Wa, and the remaining 1% interest was held by Zhang Guohua (張國華), an independent third party.
- (7) Shenzhen Sanjiu Dalong Healthy City Company Limited (深圳三九大龍健康城有限公司), an independent third party, held the remaining 49% interest in Meisha Seaview.
- (8) Shenzhen Shengce held the remaining 40% interest in Excellence Property Management. Shenzhen Shengce is owned as to 90% by Shenzhen Pingsheng Investment Consultants Co., Ltd. (深圳市平勝投資諮詢有限公司) and as to 10% by Hainan Zhongyin Industrial Co., Ltd. (海南中銀實業有限公司) (“Hainan Zhongyin”). Shenzhen Pingsheng is owned as to 50% by Xiao Xingping (肖興萍), the wife of Li Xiaoping, and as to 50% by Li Xiaoping. Hainan Zhongyin is owned as to 90% by Shenzhen Shenghengda Elevator Co., Ltd. (深圳市盛恒達電梯有限公司) (“Shenzhen Shenghengda”) and as to 10% by Peng Ying (彭英), the aunt of Li Wa and Li Xiaoping. Shenzhen Shenghengda is owned as to 70% by Li Xin (李新), an independent third party, and as to 30% by Peng Ying (彭英).
- (9) Chen Huaide (陳懷德), an independent third party, held the remaining 10% in Guangzhou Guixin.
- (10) Dongguan Xinghui Industry Co., Ltd. (東莞市星匯實業有限公司), an independent third party, held the remaining 20% interest in Dongguan Zhongtian.
- (11) Yantai Riyong Huayuan Real Estate Development Company Limited (煙台日櫻花園房地產開發有限公司), an independent third party, held the remaining 39% interest in Shandong Excellence.
- (12) Li Xiaohong (李小紅), the sister of Li Wa and Li Xiaoping, held the remaining 1% interest in Wanshang Marketing.

Prior to our Reorganization, (i) Excellence China and Excellence Property Management held 25% and 22% interest, respectively, in Shenzhen Excellence Property Consultancy on trust for Li Wa; and (ii) Excellence China held 35% interest in Shenzhen Property Guaranty on trust for Li Wa.



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As part of our Reorganization, Li Wa and Li Xiaoping incorporated Sparkle Century and Broad Ocean, respectively, as their holding companies to hold their respective interests in us.

### **Domestic Reorganization**

As part of our Reorganization, we restructured the following domestic companies:

(a) Chongqing Wanshang

Chongqing Wanshang was established on December 31, 2004. At the time of its establishment, Chongqing Wanshang was held as to 99% by Excellence China and as to 1% by Zhang Guohua, an independent third party. As Chongqing Wanshang was located in an area where preferential tax incentive was being offered by the local government to private enterprises held by individuals, on July 28, 2005, Excellence China transferred 70% and 29% of its interests in Chongqing Wanshang to Wang Ping and Li Xiaohong, respectively at considerations of Rmb 14,000,000 and Rmb 5,800,000, which are equivalent to the proportional interests in the registered capital of Chongqing Wanshang. Both Wang Ping and Li Xiaohong were holding their interests in Chongqing Wanshang for Li Wa. The trust arrangements were in place at the time the interests of Chongqing Wanshang were transferred to Wang Ping and Li Xiaohong by Excellence China. The reason that two entrustment arrangements were set up was that it was intended at that time that the minority interest of Zhang Guohua be bought out and that PRC Company Law at that time require at least two shareholders in a company. With the two entrustments, Chongqing Wanshang would still be in compliance with the minimum shareholders’ requirement after completion of the acquisition of the interest of Zhang Guohua. Our PRC legal counsel advised that the trust arrangements adopted were legal and valid under the applicable PRC laws and regulations. Wang Ping transferred his 70% interest to Li Wa in April 2006 and immediately after such transfer, 70% of Chongqing Wanshang was held by Li Wa, 29% was held by Li Xiaohong, who held such interest for Li Wa, and 1% was held by Zhang Guohua. Pursuant to our Reorganization, each of Li Wa, Li Xiaohong and Zhang Guohua transferred their respective interests in Chongqing Wanshang to Excellence China for Rmb 14,000,000, Rmb 5,800,000 and Rmb 200,000, respectively, which were determined based on the registered capital of Chongqing Wanshang at the time of the transfer. Such transfer was completed on August 27, 2007. After the completion of the transfers, Chongqing Wanshang became a wholly owned subsidiary of Excellence China.

(b) Wuhan Excellence

Prior to our Reorganization, 72% of Wuhan Excellence was held by Excellence China and 28% was held by Wuhan Huayuan, an independent third party. Pursuant to our Reorganization, Wuhan Huayuan transferred its 28% interest in Wuhan Excellence to Excellence China for a consideration of Rmb 28,000,000, which was determined after arm’s length negotiations between the parties. Such transfer was completed on December 27, 2007. After the completion of the transfer, Wuhan Excellence became a wholly owned subsidiary of Excellence China.

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(c) Hunan Lushan

Prior to our Reorganization, Hunan Lushan was held as to 90% by Excellence China and as to 10% by Hunan Kaida. Pursuant to our Reorganization, Hunan Kaida transferred its 10% interest in Hunan Lushan to Excellence China for a consideration of Rmb 26,700,000, which was determined after arm's length negotiations between the parties. Such transfer was completed on April 15, 2008. After the completion of the transfer, Hunan Lushan became a wholly owned subsidiary of Excellence China.

(d) Excellence Property Management

Prior to our Reorganization, 60% of Excellence Property Management was held by Excellence China and 40% was held by Shenzhen Shengce. Pursuant to our Reorganization, Shenzhen Shengce, a company controlled by the uncle and aunt of Li Wa and Li Xiaoping, transferred its 40% interest in Excellence Property Management to Excellence China for a consideration of Rmb 2,000,000, which was based on the registered capital of Excellence Property Management at the time of transfer. Such transfer was completed on November 26, 2007. After the completion of the transfer, Excellence Property Management became a wholly owned subsidiary of Excellence China.

(e) Excellence Commercial

Prior to our Reorganization, 70% of Excellence Commercial was held by Excellence China and 30% was held by Li Wa. Pursuant to our Reorganization, Li Wa transferred his 30% interest in Excellence Commercial to Excellence Hong Kong in September 2007. At the same time, Excellence Commercial increased its registered capital from Rmb 100,000,000 to Rmb 460,000,000, which will be contributed entirely by Excellence Hong Kong. As of the Latest Practicable Date, the increase of registered capital and the transfer had not been completed. After completion of the transfer and the increase of the registered capital, Excellence Commercial will be held as to 84.78% by Excellence Hong Kong and as to 15.22% by Excellence China.

(f) Excellence Weigang

Prior to our Reorganization, 99% of Excellence Weigang was held by Excellence China and 1% was held by Shenzhen Shekou, an independent third party. Pursuant to our Reorganization, Excellence Century City contributed land and increased the registered capital of Excellence Weigang from Rmb 30,000,000 to Rmb 40,000,000. Such increase was completed on July 31, 2007 and after such increase, the registered capital of Excellence Weigang was held as to 74.25% by Excellence China, as to 25% by Excellence Century City and as to 0.75% by Shenzhen Shekou. In August 2008, Excellence Century City transferred its 25% interest in Excellence Weigang to Excellence China. After completion of the transfer, Excellence Weigang was held as to 99.25% by Excellence China and 0.75% by Shenzhen Shekou.

(g) Excellence Century City

Prior to our Reorganization, Excellence Century City was held as to 27% by Excellence Hong Kong and as to 73% by Excellence China. Pursuant to our Reorganization, Excellence

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Century City increased its registered capital from HK\$100,000,000 to HK\$488,000,000 in August 2007. After completion of such increase, Excellence Century City was held as to 85% by Excellence Hong Kong and 15% by Excellence China.

(h) Guangzhou Guixin

Prior to our Reorganization, Guangzhou Guixin was held as to 10% by Chen Huaide and as to 90% by Excellence China. Pursuant to our Reorganization, Chen Huaide transferred his 10% interest in Guangzhou Guixin to Shenzhen Yuelang in September 2008, which in turn transferred its 10% interest in Guangzhou Guixin to Excellence China in October 2008. After completion of the transfer, Guangzhou Guixin became a wholly owned subsidiary of Excellence China.

(i) Shenzhen Excellence

Prior to our Reorganization, Shenzhen Excellence was held as to 75% by Excellence China and as to 25% by Excellence Hong Kong. Pursuant to our Reorganization, Shenzhen Excellence increased its registered capital from HK\$128,000,000 to HK\$516,000,000 and the additional capital is to be contributed by Excellence Hong Kong. As of the Latest Practicable Date, the increase of registered capital had not been completed. Upon completion of the increase of registered capital, Shenzhen Excellence will be held as to 18.6% by Excellence China and 81.4% by Excellence Hong Kong.

(j) Shenzhen Qi'nian

Prior to our Reorganization, Shenzhen Qi'nian was held as to 100% by Excellence Commercial. Pursuant to our Reorganization, Excellence Commercial transferred its 100% interest in Shenzhen Qi'nian to Shenzhen Kangyue in April 2008, and Shenzhen Kangyue transferred its 100% interest in Shenzhen Qi'nian to Shenzhen Xinjinze in July 2008. After completion of the transfers, Shenzhen Qi'nian became a wholly owned subsidiary of Shenzhen Xinjinze. We held a 100% equity interest in Shenzhen Qi'nian through South Smart, which is wholly owned by Excellence BVI. Pursuant to a share transfer agreement between Excellence BVI and HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司), or HNA Group, dated October 12, 2009, Excellence BVI agreed to transfer a 99% interest in South Smart to HNA Group. The transfer is expected to be completed in June 2010. Excellence BVI further agreed to transfer the remaining 1% interest in South Smart to HNA Group for US\$1.00 either (i) when HNA Group transfers its equity interest in South Smart to a third party or (ii) five years after the transfer of the 99% interest in South Smart to HNA Group, whichever is earlier.

(k) Changsha Excellence

Prior to our Reorganization, Changsha Excellence was held as to 95% by Excellence China and as to 5% by Li Xiaoping on trust for Excellence China. Pursuant to our Reorganization, Li Xiaoping transferred the 5% interest in Changsha Excellence to Excellence China. After the completion of the transfer, Changsha Excellence became a wholly owned subsidiary of Excellence China.

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(l) Excellence Qingdao

Prior to our Reorganization, Excellence Qingdao was held as to 70% by Excellence China and as to 30% by Shenzhen Yousheng Property Co., Ltd. (深圳市友盛置業有限公司). Pursuant to the Reorganization, Shenzhen Yousheng Property Co., Ltd. transferred its 30% interest in Excellence Qingdao to Excellence China. After the completion of the transfer, Excellence Qingdao became a wholly owned subsidiary of Excellence China.

(m) Shenzhen Zhaohe

Prior to our Reorganization, Shenzhen Zhaohe was held as to 60% by Excellence China and as to 40% by Shenzhen Baotian Investment Development Co., Ltd. Pursuant to the Reorganization, Shenzhen Baotian Investment Development Co., Ltd. transferred its 40% interest in Shenzhen Zhaohe to Excellence China. After the completion of the transfer, Shenzhen Zhaohe became a wholly owned subsidiary of Excellence China.

Our to-be-completed domestic Reorganization does not require any approval from CSRC.

### Offshore Reorganization

Pursuant to our Reorganization, we were incorporated in the Cayman Islands on June 4, 2007 to act as the [●] for our group. Upon incorporation, we were held as to 95% by Li Wa and 5% by Li Xiaoping, respectively. Li Wa, through his wholly owned holding company, Sparkle Century, and Li Xiaoping, through his wholly owned holding company, Broad Ocean, acquired our entire issued share capital on August 24, 2007 and we were held as to 95% by Sparkle Century and as to 5% by Broad Ocean.

Prior to our Reorganization, Excellence BVI was held as to 95% by Li Wa and as to 5% by Li Xiaoping. Pursuant to our Reorganization, we acquired the entire issued share capital of Excellence BVI from Li Wa and Li Xiaoping at a consideration of US\$47,500 and US\$2,500, respectively, representing the entire issued share capital then held by Li Wa and Li Xiaoping.

Prior to our Reorganization, Excellence Hong Kong was held as to 80% by Li Wa and as to 20% by Li Xiaoping. On June 21, 2001, Li Xiaoping transferred 150,000 shares held by him in Excellence Hong Kong, which amounted to a 15% equity interest in Excellence Hong Kong, to Li Wa. After such transfer, Excellence Hong Kong became held as to 95% by Li Wa and 5% by Li Xiaoping.

On January 18, 2008, our shareholders passed a resolution to increase our share capital from US\$50,000 to US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each by the creation of an additional 950,000 shares.

On January 18, 2008, in consideration of our issue of 902,500 Shares to Sparkle Century at the direction of Li Wa, Li Wa transferred his 950,000 shares in Excellence Hong Kong to Excellence BVI and, in consideration of our issue of 47,500 Shares to Broad Ocean at the direction of Li Xiaoping, Li Xiaoping transferred his 50,000 shares in Excellence Hong Kong to Excellence BVI. After such transfers, Excellence Hong Kong became a wholly owned subsidiary of Excellence BVI.

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On October 14, 2009, our shareholders passed resolutions to re-denominate our shares from U.S. dollars to H.K. dollars by way of:

- an increase in our authorized share capital by HK\$5,000,000,000 by the creation of 500,000,000,000 shares of HK\$0.01 each;
- the issue of 1,000,000 Shares, nil paid, to our shareholders of record pro rata to their existing shareholders;
- the repurchase at a total consideration of US\$1,000,000 (the “Repurchase Consideration”) of the 1,000,000 shares of US\$1.00 in issue at par on the date the resolutions were passed;
- applying the Repurchase Consideration toward the paying up, credited as fully paid, of the 1,000,000 nil paid Shares in issue; and
- the cancellation of all 1,000,000 repurchased and unissued shares of US\$1.00 each in the capital of the Company.

As part of our Reorganization, we established and incorporated the following onshore and offshore companies:

- Qingdao Excellence Industrial was established in China on August 17, 2007 and is a company with limited liability wholly owned by Excellence China.
- Qingdao Excellence Real Estate was established in China on September 17, 2007 and is a company with limited liability owned as to 60% by Excellence China and as to 40% by Qingdao Construction Investment Holding Co., Ltd. (青島政建投資集團有限公司).
- Huizhou Luofu Shan was established in China on October 19, 2007 and is a company with limited liability owned as to 70% by Excellence China, as to 15% by Huizhou Luofu Shan Jiabaotian Country Club Co., Ltd. (惠州市羅浮山嘉寶田鄉村俱樂部有限公司), an independent third party, and as to 15% by Liao Qiang (廖強).
- South Smart was incorporated in the British Virgin Islands on November 30, 2007 and is a company with limited liability wholly owned by Excellence BVI.
- Shenzhen Kangyue was established on December 4, 2007 and is a company with limited liability wholly owned by Excellence China. Upon its establishment, Shenzhen Kangyue was wholly owned by Shenzhen Excellence which transferred its entire interest in Shenzhen Kangyue to Shenzhen Xinjinze in July 2008, which in turn transferred its entire interest in Shenzhen Kangyue to Excellence China in August 2008.
- Shenzhen Xianghua was established on December 4, 2007 and is a company with limited liability wholly owned by Excellence China.
- Grand Way was incorporated in Hong Kong on May 31, 2007 and is a company with limited liability wholly owned by Excellence Hong Kong.

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## **CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE**

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- Excellence Effort BVI was incorporated in the British Virgin Islands on March 11, 2008 and is a company with limited liability owned as to 50% by Excellence BVI and as to 50% by Deng Jia Gui, an independent third party.
- Splendid Profit was incorporated in Hong Kong on January 30, 2008 and is a company with limited liability wholly owned by South Smart.
- Sapphire Nature was incorporated in Hong Kong on January 30, 2008 and is a company with limited liability wholly owned by Luck Sea.
- Success State International was incorporated in the British Virgin Islands on January 30, 2008 and is a company with limited liability wholly owned by Excellence BVI.
- Luck Sea was incorporated in the British Virgin Islands on February 12, 2008 and is a company with limited liability wholly owned by Excellence BVI.
- Shenzhen Bangye was established in China on October 29, 2008 and is a company with limited liability wholly owned by Success State.
- Shenzhen Dongrunze was established in China on October 15, 2008 and is a company with limited liability wholly owned by Oriental Rich.
- Shenzhen Xinjinze was established in China on May 23, 2008 and is a company with limited liability wholly owned by Splendid Profit.
- Shenzhen Xinweiran was established in China on June 4, 2008 and is a company with limited liability wholly owned by Sapphire Nature.
- Huizhou Baisheng was established in China on November 30, 2007 and is a company with limited liability wholly owned by Excellence China.
- Joyrun was incorporated in the British Virgin Islands on July 8, 2008 and is a company with limited liability wholly owned by our company.
- Jolly Park was incorporated in the British Virgin Islands on January 16, 2008 and is a company with limited liability wholly owned by our company.
- Excellence Effort Hong Kong was incorporated in Hong Kong on July 9, 2008 as a company with limited liability and was held as to 50% by Excellence BVI and as to 50% by Deng Jia Gui. Excellence BVI and Deng Jia Gui transferred their respective interests to Excellence Effort BVI. Excellence Effort Hong Kong is currently wholly owned by Excellence Effort BVI.
- Early State was incorporated in the British Virgin Islands on January 15, 2008 and is a company with limited liability wholly owned by Jolly Park.

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- Merry Wave was incorporated in the British Virgin Islands on April 25, 2008 and is a company with limited liability wholly owned by Jolly Park.
- Universe Asia was incorporated in Hong Kong on July 8, 2008 and is a company with limited liability wholly owned by Early State.
- Best Group was incorporated in Hong Kong on July 11, 2008 and is a company with limited liability wholly owned by Merry Wave.
- Top Gate was incorporated in the British Virgin Islands on April 2, 2008 and is a company with limited liability wholly owned by Excellence BVI.
- Oriental Rich was incorporated in Hong Kong on July 5, 2007 as a company with limited liability and was wholly owned by Shenzhen Excellence. Shenzhen Excellence transferred its 100% interest in Oriental Rich to Top Gate in April 2008. Oriental Rich is currently wholly owned by Top Gate.
- Success State was incorporated in Hong Kong on April 18, 2008 and is a company with limited liability wholly owned by Success State International.
- Excellence Qingdao Real Property was incorporated in the PRC on September 21, 2009 and is a company with limited liability wholly owned by Excellence China.
- Excellence Real Estate was incorporated in Hong Kong on May 30, 2007 and is a company with limited liability owned as to 94.44% by Excellence Hong Kong and as to 5.56% by Excellence China.

We also acquired the following companies in late 2007, 2008 and 2009:

- In October 2007, Excellence Hong Kong acquired the entire interest in Lianyungang Tianqian from Lianyungang Jiatai, an independent third party, at a consideration of Rmb 10,000,000, which was determined based on the capital contributed by Lianyungang Jiatai to Lianyungang Tianqian.
- In October 2007, Excellence Hong Kong acquired the entire interest in Lianyungang Tianjun from Lianyungang Jiatai at a consideration of Rmb 10,000,000, which was determined based on the capital contributed by Lianyungang Jiatai to Lianyungang Tianjun.
- In November 2007, Excellence China acquired 51% interest in Shenzhen Jinliju from Shenzhen Citic Kawah Real Estate Investment Co., Ltd. (深圳市中信嘉華置業投資有限公司), an independent third party, at a consideration of Rmb 99,331,250, which was determined after arm’s length negotiations between the parties. During the same period, Excellence Century City acquired the remaining 49% interest in Shenzhen Jinliju from Shenzhen Ruican Industrial Co., Ltd. (深圳市瑞燦實業有限公司) at a consideration of Rmb 99,331,250, which was determined after arm’s length negotiations between the parties. In August 2008, Excellence China acquired 49% interest in Shenzhen Jinliju from Excellence Century City at a consideration of Rmb 24,500,000, which was determined after arm’s length negotiations between the parties.

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- In December 2007, Shenzhen Pengyue entered into an agreement with Lianyungang Jiatai pursuant to which Lianyungang Jiatai transferred two wholly owned subsidiaries Lianyungang Tianxingjian and Lianyungang Ruihao to Shenzhen Pengyue at an aggregated consideration of Rmb 60,750,000, which was based on the land costs of 6 parcels of lands to be acquired by the two project companies.
- In January 2008, Excellence Commercial acquired 50% interest in Hangzhou Hengxing from Huang Miaofu (黃妙福), an independent third party, at a consideration of Rmb 10,000,000, which was determined after arm’s length negotiations between the parties. During the same period, Excellence Commercial acquired 20% interest in Hangzhou Hengxing from Hangzhou Binjiang Area Changhe Road Jiangsan Village Economic Cooperation Zone (杭州市濱江區長河街道江三村經濟合作社) at a consideration of Rmb 4,000,000, which was determined after arm’s length negotiations between the parties.
- In December 2008, Shenzhen Excellence acquired 51% interest in Shenzhen Dabaihui from Dabaihui Industrial Group Co., Ltd. (大百滙實業集團有限公司) at a consideration of Rmb 5,100,000, which was determined after arm’s length negotiations between the parties.
- In December 2008, Shenzhen Dabaihui acquired 90% interest and 10% interest in Shenzhen Pengrun from Li Suru (李素茹) and Gan Quanqun (甘全軍), at a consideration of Rmb 9,000,000 and Rmb 1,000,000, respectively, which were determined after arm’s length negotiations between the parties.
- In September 2009, Shenzhen Pengyue acquired 100% interest in Shanghai Detian Real Estate Co., Ltd (上海德天置業有限公司), or Shanghai Detian, from Shanghai Jiacheng Investment Management Co., Ltd. (上海嘉誠投資管理有限公司), or Shanghai Jiacheng, and Shanghai Huiheng Investment Ltd. (上海慧恒投資有限公司), or Shanghai Huiheng, at a consideration of Rmb 100 million, which was determined after arm’s length negotiations among the parties. As part of the transaction, we also agreed to make bank entrustment loans through Shanghai Detian to Shanghai Jiacheng and Shanghai Huiheng in a total principal amount of Rmb 290 million at zero interest rate.
- In September 2009, Shenzhen Xianghua acquired 60% interest in Beijing Hengyin Real Estate Development Co., Ltd (北京恒銀房地產開發有限公司), or Beijing Hengyin, from Shenzhen Jingji Haiwan Hotel Management Co., Ltd. (深圳市京基海灣酒店管理有限公司), or Jingji Haiwan, and Shenzhen Jingji Jingdu Hotel Management Co., Ltd. (深圳市京基晶都酒店管理有限公司), or Jingji Jingdu, at a consideration of Rmb 30 million, which was determined after arm’s length negotiations among the parties. As part of the transaction, Jingji Haiwan and Jingji Jingdu also agreed to assume all the debts owed by Beijing Hengyin prior to the acquisition.



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## **CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE**

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As part of our Reorganization, we disposed of our interests held in the following companies:

(a) Shenzhen Property Guaranty

Prior to our Reorganization, Excellence China held 35% interest in Shenzhen Property Guaranty on trust for Li Wa. Pursuant to our Reorganization, Excellence China ceased to hold its 35% interest in Shenzhen Property Guaranty on trust for Li Wa and transferred such interest to Shenzhen Excellence Baisheng Consultants Management Co. Ltd., at the direction of Li Wa in November 2007.

(b) Shenzhen Excellence Property Consultancy

Prior to our Reorganization, Excellence China and Excellence Property Management held 25% and 22% interests in Shenzhen Excellence Property Consultancy on trust for Li Wa. Pursuant to our Reorganization, Excellence China and Excellence Property Management ceased to hold their respective interests in Shenzhen Excellence Property Consultancy on trust for Li Wa and transferred such interests to Shenzhen Shengdi Property Planning Consultancy Co., Limited, at the direction of Li Wa, in November 2007.

(c) Wellto Investment

Prior to our Reorganization, Wellto Investment was wholly owned by Excellence Century City. Pursuant to our Reorganization, Excellence Century City transferred its entire interest in Wellto Investment to Pine Full Investment Group Limited, in August 2009 at a consideration of HK\$10,000. The consideration for such disposal was determined based on arm's length negotiations between the parties.



## CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (1) Shenzhen Shekou, an independent third party, held the remaining 0.75% interest in Excellence Weigang.
- (2) Each of Huizhou Luofu Shan Jiabaotian Country Club Co., Ltd. (惠州市羅浮山嘉寶田鄉村俱樂部有限公司), an independent third party, and Liao Qiang (廖強), an independent third party, held 15% interest in Huizhou Luofu Shan.
- (3) Prior to our Reorganization, 70% of Excellence Commercial was held by Excellence China and 30% was held by Li Wa (李華). Pursuant to our Reorganization, Li Wa transferred his 30% interest in Excellence Commercial to Excellence Hong Kong. In September 2007, Excellence Commercial increased its registered capital from Rmb100,000,000 to Rmb460,000,000. As of the Latest Practicable Date the increase of registered capital and the transfer had not been completed yet. After completion of the transfer and the increase of the registered capital, Excellence Commercial will be held as to 84.78% by Excellence Hong Kong and as to 15.22% by Excellence China.
- (4) Shenzhen Sanjiu Dalong Healthy City Co., Ltd. (深圳三九大龍健康城有限公司), an independent third party, held the remaining 49% interest in Meisha Seaview.
- (5) Dongguan Xinghui Industry Co., Ltd. (東莞市星匯實業有限公司), an independent third party, held the remaining 20% interest in Dongguan Zhongtian.
- (6) Yantai Riyang Huayuan Real Estate Development Co., Ltd. (煙台日櫻花園房地產開發有限公司), an independent third party, held the remaining 39% interest in Shandong Excellence. Shandong Excellence is currently being liquidated.
- (7) Qingdao Construction Investment Holding Co., Ltd. (青島政建投資集團有限公司), an independent third party, held the remaining 40% interest in Qingdao Excellence Real Estate.
- (8) Li Xiaohong (李小紅), the sister of Li Wa and Li Xiaoping, held the remaining 1% interest in Wanshang Marketing.
- (9) Chen Qishui (陳其水), an independent third party, held the remaining 30% interest in Hangzhou Hengxing.
- (10) Chen Hua (陳華) and Xiaoyinhu Investment Co., Ltd. (小銀狐投資有限公司), independent third parties, held the remaining 30% and 10% interest in Beijing Hengyin, respectively.
- (11) Shenzhen Jindi Old City Reform Development Co., Ltd. (深圳市金地舊城改造開發有限公司), an independent third party, held the remaining 35% interest in Jindi Dabathui.
- (12) Excellence BVI held a 100% interest in South Smart. However, pursuant to a share transfer agreement entered into between Excellence BVI and HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司), or HNA Group, Excellence BVI agreed to transfer a 99% interest in South Smart to HNA Group. The transfer is expected to be completed in June 2010. Excellence BVI further agreed to transfer the remaining 1% interest in South Smart to HNA Group for US\$1.00 either (i) when HNA Group transfers its equity interest in South Smart to a third party or (ii) five years after the transfer of the 99% interest in South Smart to HNA Group, whichever is earlier.
- (13) Dabaihui Industrial Group Co., Ltd. (六百匯實業集團有限公司) held the remaining 49% interest in Shenzhen Dabaihui.
- (14) Prior to our Reorganization, Shenzhen Excellence was held as to 75% by Excellence China and as to 25% by Excellence Hong Kong. Pursuant to our Reorganization, Shenzhen Excellence increased its registered capital from HK\$128,000,000 to HK\$516,000,000 and the additional capital is to be contributed by Excellence Hong Kong. As of the Latest Practicable Date the increase of registered capital had not been completed. Upon completion of the increase of registered capital, Shenzhen Excellence will be held as to 18.6% by Excellence China and 81.4% by Excellence Hong Kong.
- (15) Deng Jia Gui, an independent third party, held the remaining 50% interest in Excellence Effort BVI.