
HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Our Group was founded by the Kwok Family. Our origin can be traced from Shenzhen Kaisa Property, which was established in June 1999, to engage in residential property development in Shenzhen. Woodland Height was our first residential property development project which was financed by family funds of the Kwok Family and bank loan. Woodland Height has an aggregate site area of approximately 160,514 sq.m. and a total GFA of approximately 580,135 sq.m. Its first phase was made available for sale to the public in September 2000. Mocha Town was our second residential property development project. Mocha Town is an integrated residential complex with an aggregate site area of approximately 185,724 sq.m. and a total GFA of approximately 775,299 sq.m. Its first phase was open to the public for sale in June 2004. In November 2005, we also began to develop a distressed property, Shenzhen Kaisa Center, our first residential-commercial integrated development. Shenzhen Kaisa Center was completed in August 2006.

In addition to the development of our business in Shenzhen since 2000, we have expanded to other parts of the PRC. We established Dongguan Kaisa Property in September 2004, Chengdu Kaisa Property in July 2006, Zhuhai Zhanda and Huizhou Kaisa Property in January 2007, Sichuan Kaisa Zhiye in May 2007 and Hunan Kaisa Property in August 2007 for project developments in the Dongguan, Guangzhou, Chengdu, Zhuhai, Huizhou, Sichuan and Hunan markets respectively. Furthermore, we completed the acquisition of Shanghai Xinwan in January 2008, Jiangyin Taichang in February 2008, Huizhou Huasheng in April 2008, Huizhou Jinhua Entertainment Park in May 2008, Huizhou Jinhua Resort Village in May 2008 and Shenzhen Jinshawan in May 2009.

For the purpose of expanding our property development projects in the PRC, during the period between December 2005 and September 2009, we also acquired controlling equity interests from independent third parties in thirteen project companies which own interests in the relevant thirteen projects, namely Guangzhou Jinmao, Xiangrui Garden, Jincheng Heights, Huizhou Kaisa Center, Nan’Ao Kangbao, Shangpin Garden, Li Langlu, Lijing Harbor, Shuangliu, Fenglong Center, Jiangyin Lake View Place, Shanghai Shanhuwan Garden and Tonghu. For more information about these projects, please see the section entitled “Business — Description of Our Property Developments” in this document. Please also refer to the section headed “History, Reorganization and Group Structure — Reorganization — Acquisition of controlling interests in certain project companies” in this document for further acquisitions of these project companies.

As of September 30, 2009, we have developed, were developing or held for future development eleven projects in Shenzhen, four projects in Dongguan, three projects in Guangzhou, five projects in Huizhou, one project in Zhuhai, three projects in Chengdu, one project in Changsha, one project in Shanghai and two projects in Jiangyin. Our business has also expanded to include projects used or to be used as apartments, town houses, offices, hotels, retail stores and service apartments.

Our Group was centrally managed by Shenzhen Kaisa Property during the Track Record Period under a core management team (the “Core Management Team”) comprising (i) Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Sun Yuenan, each of whom participated in the management of our Group throughout the Track Record Period, and (ii) Mr. Han Zhenjie and Mr. Ye Jiansheng, who were recruited during the Track Record Period to supplement and enhance the Core Management Team in light of the expansion of the Group. For the relevant roles and responsibilities of each member of the

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Core Management Team, please refer to the section headed “Directors, senior management and employees” of this document. We have a formal schedule of matters specifically reserved to the Core Management Team and its delegated management. The Core Management Team is responsible for determining the overall strategy and approving the annual business plan of our operating subsidiaries and ensuring our business operations are properly planned, authorized, undertaken and monitored. The Core Management Team has delegated the operational responsibilities to the local executive management committee in Shenzhen, Zhuhai, Guangzhou, Dongguan, Chengdu, Shanghai, Jiangyin, Huizhou and Changsha. The operations of the operating subsidiaries in Beijing and Shenyang have not yet commenced and no local executive management committee was established in these two cities. These local executive management committees are responsible for implementing the decisions of the Core Management Team and running the day-to-day operation of the relevant cities in accordance with the direction of the Core Management Team. The directors or the legal representatives of the operating subsidiaries were nominated for undertaking non-executive roles such as complying with the required governmental filings and reporting requirements required under the PRC law and regulations. Other than (i) Mr. Sun Yuenan who is a director of Huidongxian Dongsheng, Huizhou Huasheng, Huizhou Jinhu Entertainment Park, Huizhou Jinhu Resort Village, Huizhou Kaisa Infrastructure, Huizhou Kaisa Road, Huizhou Kaisa Technology, Hunan Kaisa Property, Hunan Kaisa Zhiye, Shenzhen Wanyuhua and Huizhou Kaisa Tangquan; (ii) Kwok Ying Chi who is a director of Fenglong Group and (iii) Mr. Lu Yuehui who is a director of Huidongxian Dongsheng, Huizhou Kaisa Road, Huizhou Kaisa Infrastructure, Huizhou Kaisa Technology, Fenglong Group, Huizhou Kaisa Tangquan, Huizhou Huasheng, Huizhou Jinhu Entertainment Park, Huizhou Jinhu Resort Village, Huidongxian Kaisa, Huizhou Canrong, Huizhou Jinhu, Huizhou Kaisa Property, Huizhou Weitong, Boluo Kaisa Property and Boluo Kaisa Zhiye, the directors or the legal representatives were not appointed to run the daily operation of the relevant operating subsidiaries. The day-to-day operation is run by the local executive management committee in the relevant cities. All relevant matters relating to the operating subsidiaries are to be reported to the Core Management Team whose decisions on material matters relating to the operating subsidiaries would prevail. The board of directors and the local executive management committees of our operating subsidiaries in the various cities are in essence acting in accordance with the instructions of Mr. Kwok Ying Shing and Mr. Kwok Ying Chi through their ultimate decision-making power over other members of the Core Management Team, such that they collectively possess absolute control of each individual board of directors of our operating subsidiaries and the executive management committees in the various cities.

The following are important milestones in the history of our corporate and operational development to date:

- 1999 ● Shenzhen Kaisa Property was founded in Shenzhen.
- 2000 ● The first phase of Woodland Height was made available for sale to the public.
- 2001 ● Our Woodland Height was recognized as one of the Top 10 Star Buildings in Shenzhen by 深圳特區報業集團 (Shenzhen Special Economic Zone Newspaper Group).
- 2002 ● We were named as one of the Top 10 Enterprises in the Real Estate Industry in Shenzhen by 深圳企業評價協會 (the Shenzhen Enterprises Evaluation Association) based on factors such as reputation, development potential and brand recognition.

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- 2004
- We commenced the development of Mocha Town.
 - We were recognized as one of the Top 50 City Operators in the PRC by 中國城市土地運營博覽會組委會 (the China Urban Land Management Exposition Committee) based on an evaluation by a number of newspaper organizations including 廣州日報 (Guangzhou Daily), 深圳特區報 (Shenzhen Special Economic Zone News), and 北京青年報 (Beijing Youth Daily).
 - The first phase of Mocha Town was made available for sale to the public.
 - Our Mocha Town development received the 2004 Gold Award for Architecture and Design.
 - Dongguan Kaisa Property was established for project development in Dongguan.
- 2005
- We re-developed and renovated a distressed property now known as Shenzhen Kaisa Center, our first residential-commercial integrated development, which was completed in August 2006.
 - We also renovated Guangzhou Jinmao (廣州金貿項目), a distressed and partially completed property in Guangzhou.
 - We were ranked among “Top 10 Local Valuable Real Estate Brands” by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
- 2006
- We expanded our business to Sichuan Province by establishing Chengdu Kaisa Property for a development project in Chengdu.
 - We were ranked among the “Top 10 Valuable Real Estate Brands” in southern China by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
- 2007
- We expanded our business to Zhuhai, Huizhou and Hunan by establishing Zhuhai Zhanda, Huizhou Kaisa Property and Hunan Kaisa Property for development projects in each respective location development.
 - We were ranked one of the top ten real estate developers in the Shenzhen Real Estate Industry Credibility Bulletin Board System, a governmental website hosted by the Shenzhen Municipal Bureau of Land Resources and Housing Management.
 - Our Company was incorporated to act as the holding company of all the equity interests of our Group after the corporate restructuring pursuant to the Reorganization.
 - Our Company issued the Warrants to the Lenders and the Loan Investors and issued new Shares to the Investor Shareholders, details of which are set out in the paragraph headed “Strategic Investments” of this section.

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- 2008
- We were ranked among the “Top 10 Valuable Real Estate Brands” in southern China by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
 - We were honored as one of the “Top 10 Developers in terms of Operating Efficiency” among the “2008 China Top 100 Real Estate Developers” by the China Real Estate Association, Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy.
 - We have expanded into other areas in China, including Shanghai and Jiangyin, both in the Yangtze River Delta region.
- 2009
- We were ranked among the “Top 10 Valuable Real Estate Brands” in southern China by the China Real Estate Top 10 Research Team with reference to factors such as competitiveness, development potential, value of brand name and reputation.
 - We completed a portion of Jiangyin Lake View Place Phase 1 in April 2009 and the remaining portion in July 2009.
 - We were honoured as one of the “Top 10 Developers in terms of Operating Efficiency” among the “2009 China Top 100 Real Estate Developers” by the China Real Estate Association, Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy.

REORGANIZATION

We underwent the Reorganization. As part of the Reorganization, our Company was incorporated on August 2, 2007 in the Cayman Islands to be the ultimate holding company for all of our Group’s operating and project subsidiaries which are principally engaged in residential property development, commercial property development and property management.

As part of the Reorganization, we incorporated the following entities:

- Intermediate Holding Company — Rui Jing;
- Business Holding Companies — Jie Feng, Heng Chang, Guang Feng and Ye Chang; and
- Project Holding Companies — Chang Ye, Rong Hui, Yuan Yuan, Da Hua, Tai He Xiang, Zheng Zhong Tian, Dong Chang, Jin Chang, Dong Sheng and Xie Mao.

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The Reorganization consisted of the following principal steps:

Establishment of the Business Holding Companies to acquire and hold equity interests in the Project Holding Companies

The Business Holding Companies were incorporated in order to act as intermediate holding companies for the business divisions of our Group. Jie Feng is one of the Business Holding Companies for our Group's residential property development division. Heng Chang is one of the Business Holding Companies for our Group's re-development division. Guang Feng is one of the Business Holding Companies for our Group's commercial property development division and construction division. Ye Chang is one of the Business Holding Companies for our Group's property management division. Collectively, the Business Holding Companies hold all of the equity interests of all our Group's Project Holding Companies.

Establishment and acquisitions of the Project Holding Companies

The Project Holding Companies were incorporated to acquire and hold equity interests in our PRC subsidiaries in our Group. Since August 16, 2007, we acquired the following entities:

- the entire issued share capital of each of Chang Ye, Rong Hui, Yuan Yuan and Da Hua has been held by Jie Feng, one of the Business Holding Companies for our Group's residential property development division;
- the entire issued share capital of each of Tai He Xiang and Zheng Zhong Tian has been held by Heng Chang, one of the Business Holding Companies for our Group's re-development division;
- the entire issued share capital of each of Dong Chang and Dong Sheng has been held by Guang Feng, one of the Business Holding Companies for our Group's commercial property development division; and
- the entire issued share capital of Xie Mao has been held by Ye Chang, one of the Business Holding Companies for our Group's property management division.

On October 24, 2007, the entire issued share capital of China Agriculture was transferred from China New World Holdings Limited to Jie Feng for a nominal consideration of US\$1.00. China New World Holdings Limited, a BVI company owned by Ms. Zhan Huihua, previously held the entire issued share capital of China Agriculture in trust for Mr. Kwok Ying Shing. China Agriculture is the holding company of Huidongxian Dongsheng.

On November 16, 2007, the entire issued share capital of Ace Start was transferred from Noble Shine, a company owned by Mr. Kwok Ying Shing and Mr. Kwok Chun Wai, to Jie Feng for a nominal consideration of US\$1.00. Ace Start is the investment holding company of Onfair Asia, which is an investment holding company holding 30% equity interest in Sichuan Tianzi.

On November [●], 2009, the entire issued share capital of Jin Chang was transferred from Guang Feng to Jie Feng in consideration of an intercompany loan from Jie Feng to Guang Feng, credited as fully paid at premium, to Rui Jing.

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Establishment of the Intermediate Holding Company to acquire and hold equity interests in the Business Holding Companies

The Intermediate Holding Company was incorporated in order to acquire and hold all of the equity interests in the Business Holding Companies. Upon its incorporation, Da Chang (a company which was wholly owned by Mr. Kwok Chun Wai), Da Feng (a company which was wholly owned by Mr. Kwok Ying Shing) and Da Zheng (a company which was wholly owned by Mr. Kwok Ying Chi) held 33%, 34% and 33% of the issued share capital of the Intermediate Holding Company respectively. Since August 16, 2007, the entire issued share capital of each of the Business Holding Companies has been held by the Intermediate Holding Company.

Incorporation of new Hong Kong companies

Yong Rui Xiang were incorporated in Hong Kong to hold equity interests in Shenzhen Wanyuchang,. Yi Qing was incorporated in Hong Kong to acquire the entire equity interests in Huizhou Weitong and Huizhou Canrong, details of the acquisition are set out in the sub-paragraph headed “Transactions relating to the Project Companies — Acquisition of controlling interests in certain Project Companies during the Track Record Period.” in this document. China Manfort and Zhan Zhang were incorporated in Hong Kong and currently do not hold any project company.

Transactions relating to the Project Companies

In preparation for the Reorganization, the shareholding structure of our Group’s project companies was reconfigured. The following table shows the changes to the shareholding structure of certain of our Group’s project companies pursuant to the share transfer agreements undertaken in anticipation of the Reorganization.

<u>Project Company</u>	<u>Prior to the Reorganization</u>		<u>After the Reorganization</u>	
	<u>Shareholders</u>	<u>Equity interest</u>	<u>Shareholders^(Note 17)</u>	<u>Equity interest</u>
<i>Hong Kong subsidiaries</i>				
Kaisa Holdings	Big Progress ^(Note 1) Growth Ahead ^(Note 1) Havewill Investments <i>(Note 1)</i>	33% 34% 33%	Chang Ye	100%
Regal Silver	Mr. Chen Geng Xian Mr. Liu Qiang ^(Note 2)	90% 10%	Rong Hui	100%
Kaisa Technology	Woodland Height ^(Note 3)	100%	Yuan Yuan	100%
Cornwell Holdings.	Mr. Kwok Chun Wai Mr. Kwok Ying Shing	50% 50%	Da Hua	100%
Woodland Height	Empire Glory ^(Note 3) Year Up ^(Note 3)	67% 33%	Tai He Xiang	100%
Success Take	Mr. Kwok Ying Chi Clever Cosmos ^(Note 4)	1% 99%	Zheng Zhong Tian	100%
Leisure Land	Clever Cosmos ^(Note 4)	33%	Xie Mao	100%

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Project Company	Prior to the Reorganization		After the Reorganization	
	Shareholders	Equity interest	Shareholders ^(Note 17)	Equity interest
	Speed Prosper ^(Note 4)	34%		
	Year Up ^(Note 3)	33%		
<i>PRC subsidiaries</i>				
Shenzhen Kaisa Technology	Kaisa Technology Company ^(Note 5)	100%	Kaisa Technology	100%
Shenzhen Wanyuchang .	Kaisa Holdings ^(Note 1)	100%	Yong Rui Xiang	100%
Zhuhai Zhanda	Shenzhen Kaisa Property Mr. Guo Ying Long holding in trust for Shenzhen Kaisa Property ^(Note 6)	94% 6%	Shenzhen Kaisa Property	100%
Shenzhen Daye	Shenzhen Jililong ^(Note 7)	100%	Shenzhen Kaisa Property	100%
Guangzhou Jiasui	Guangzhou Xinhongrui ^(Note 8)	100%	Shenzhen Jililong	100%
Dongguan Kaisa Property	Shenzhen Kaisa Property Mr. Mai Weiliang holding in trust for Shenzhen Kaisa Property ^(Note 7)	90% 10%	Shenzhen Kaisa Property	100%
Dongguan Kaisa Property Management	Dongguan Kaisa Property ^(Note 9)	100%	Shenzhen Kaisa Property Management	100%
Shenzhen Zhaoruijing .	Mr. Guo Ying Long Mr. Guo Ying Guang both holding in trust for Shenzhen Kaisa Baihuo ^(Note 10)	90% 10%	Shenzhen Wanyuchang	100%
Guangzhou Jinmao Property	Beijing Jinmao Mr. Zhan Qiongming holding in trust for Beijing Jinmao ^(Note 11)	90% 10%	Beijing Jinmao	100%
Beijing Jinmao	Mr. Zhan Qiongming Ms. Pang Ailing both holding in trust for Shenzhen Cornwell ^(Note 12)	10% 90%	Shenzhen Cornwell	100%

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<u>Project Company</u>	<u>Prior to the Reorganization</u>		<u>After the Reorganization</u>	
	<u>Shareholders</u>	<u>Equity interest</u>	<u>Shareholders^(Note 17)</u>	<u>Equity interest</u>
Guangzhou Jinmao Property Management	Guangzhou Jinmao Property ^(Note 11)	100%	Shenzhen Leisure Land	100%
Dongguan Yingsheng . .	Mr. Guo Ying Long Mr. Mai Weiliang both holding in trust for Dongguan Kaisa Property ^(Note 9)	90% 10%	Dongguan Kaisa Property	100%
Shenzhen Xingwoer . . .	Mr. Luo Han Dun Mr. Chen Geng Xian both holding in trust for Shenzhen Regal Silver ^(Note 13)	90% 10%	Shenzhen Regal Silver	100%
Shenzhen Taijian	Mr. Guo Tianlu holding in trust for Shenzhen Kaisa Baihuo ^(Note 10)	100%	Shenzhen Wanyuchang	100%
Guangdong Kaisa Property	Mr. Luo Han Dun Mr. Guo Ying Long both holding in trust for Shenzhen Kaisa Property ^(Note 14)	49% 51%	Shenzhen Kaisa Property	100%
Dongguan Yingtai	Mr. Zou De Lin Daohong both holding in trust for Shenzhen Kaisa Technology ^(Note 15)	60% 40%	Shenzhen Kaisa Technology	100%
Chengdu Nanxing	Mr. Zhan Qiongmeng Ms. Zhan Huihua both holding in trust for Chengdu Kaisa Property ^(Note 16)	90% 10%	Chengdu Kaisa Property	100%

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Notes:

1. *Kaisa Holdings was held as to 33% by Big Progress, as to 34% by Growth Ahead and as to 33% by Havewill Investment. Big Progress is wholly owned by Mr. Kwok Chun Wai. Growth Ahead is wholly owned by Mr. Kwok Ying Shing. Havewill Investments is wholly owned by Kwok Ying Chi.*
2. *Mr. Chen Geng Xian held 90% of the issued share capital of Regal Silver in trust on behalf of Mr. Kwok Chun Wai, Mr. Kwok Ying Shing and Mr. Kwok Ying Chi as to 33%, 34% and 33% of the issued share capital of Regal Silver respectively.*
3. *Woodland Height was held as to 67% by Empire Glory and as to 33% by Year Up immediately before the Reorganization. Empire Glory is owned as to 50% by Mr. Kwok Ying Shing and as to 50% by Mr. Kwok Ying Chi. Year Up is wholly owned by Mr. Kwok Chun Wai.*
4. *Clever Cosmos is wholly owned by Mr. Kwok Ying Chi. Speed Prosper is wholly owned by Mr. Kwok Ying Shing.*
5. *Kaisa Technology was wholly owned by Woodland Height and was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
6. *Shenzhen Kaisa Property was wholly owned by Kaisa Holdings which were in turn ultimately owned by the Kwok Family immediately before the Reorganization. Please refer to Note 1 above.*
7. *Shenzhen Jililong was held as to 75% by Shenzhen Kaisa Property and as to 25% by Kaisa Holding and was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
8. *Guangzhou Jiasui was wholly owned by Guangzhou Xinhongrui which was in turn wholly owned by Shenzhen Jililong. Guangzhou Jiasui was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
9. *Dongguan Kaisa Property was beneficially owned by Shenzhen Kaisa Property which was ultimately controlled by the Kwok Family immediately before the Reorganization.*
10. *Shenzhen Kaisa Baihuo was wholly owned by Shenzhen Jililong. Shenzhen Jililong is held as to 75% by Shenzhen Kaisa property and as to 25% by Kaisa Holdings and was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
11. *Guangzhou Jinmao Property was beneficially and wholly owned by Beijing Jinmao which was wholly owned by Shenzhen Cornwell and was therefore ultimately controlled by Mr. Kwok Chun Wai and Mr. Kwok Ying Chi immediately before the Reorganization.*
12. *Immediately before the Reorganization, Beijing Jinmao was held by Shenzhen Cornwell which in turn was wholly owned by Cornwell Holdings, Cornwell Holdings was held as to 50% by Mr. Kwok Chun Wai and as to 50% by Mr. Kwok Ying Chi.*
13. *Shenzhen Xingwoer was beneficially and wholly owned by Shenzhen Regal Silver which was wholly owned by Regal Silver and was therefore beneficially owned by the Kwok Family immediately before the Reorganization.*
14. *Guangdong Kaisa Property was beneficially and wholly owned by Shenzhen Kaisa Property which was therefore ultimately controlled by the Kwok Family immediately before the Reorganization.*
15. *Dongguan Yingtai was beneficially and wholly owned by Shenzhen Kaisa Technology which was ultimately controlled by the Kwok Family immediately before the Reorganization.*
16. *Chengdu Nanxing was wholly owned by Chengdu Kaisa Property which was in turn wholly owned by Shenzhen Kaisa Property.*

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17. *Immediately after completion of the Reorganization, our Company became the ultimate holding company of our project companies. Our Company was ultimately held by Chang Yu which is held by [Good Health Investment Limited], a discretionary family trust, the beneficiaries of which include the Kwok Family and there was no change in the ultimate ownership of the above Project Companies.*

The shareholding structure of Shenzhen Kaisa Property, Shenzhen Kaisa Electronic, Shenzhen Cornwell, Shenzhen Regal Silver, Shenzhen Success Take, Shenzhen Woodland Height, Shenzhen Leisure Land, Chengdu Kaisa Property, Shenzhen Jililong, Sichuan Kaisa Zhiye, Huizhou Kaisa Property, Chengdu Kaisa Investment, Huizhou Kaisa Tangquan, Shenzhen Zhengchangtai remained unchanged before and after the Reorganization.

Boluo Kaisa Property, Boluo Kaisa Zhiye, Hunan Kaisa Zhiye, Shenyang Kaisa Property, Shenyang Woodland Height, Hunan Kaisa Property, Huidongxian Kaisa, Huizhou Jiabo, Huizhou Yingbo, Dongguan Yingyan, Chengdu Kaisa Property Management, Huizhou Kaisa Road, Huizhou Kaisa Infrastructure, Shanghai Kaisa Investment, Huizhou Kaisa Technology, Chengdu Zhaoruijing, Beijing Kaisa and Huizhou Zhaoruijing were newly established after the Reorganization.

Acquisition of controlling interests in certain project companies

During the Track Record Period, we acquired the following project companies for the purpose of real estate development of our Group:

<u>Project company</u>	<u>Interest held after the acquisition</u>	<u>Consideration (in RMB)</u>	<u>Acquisition date</u>
Shenzhen Xingwoer ^(Note 1)	100%	10,000,000	January 2006
Shenzhen Zhongwei ^(Note 2)	100%	12,130,000	August 2006
Fenglong Group ^(Note 3)	55%	10,000	March 2007
Shenzhen Jiachangxin Investment ^(Note 4)	100%	51,175,493	March 2007
Chengdu Nanxing ^(Note 5)	100%	20,000,000	May 2007
Huizhou Jinhui ^(Note 6)	100%	51,480,000	June 2007
Shenzhen Chuangzhan ^(Note 7)	100%	10,000,000	July 2007
Sichuan Tianzi ^(Note 8)	100%	10,000,000	July 2007
Huizhou Weitong ^(Note 9)	100%	109,200,000	December 2007
Huizhou Canrong ^(Note 10)	100%	31,878,000	December 2007
Jiangyin Taichang ^(Note 11)	100%	20,000,000	February 2008
Shanghai Xinwan ^(Note 12)	100%	41,611,069.14	January 2008

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<u>Project company</u>	<u>Interest held after the acquisition</u>	<u>Consideration (in RMB)</u>	<u>Acquisition date</u>
Huizhou Jinhua Resort Village ^(Note 13)	100%	134,150,773.26	May 2008
Huizhou Jinhua Entertainment Park ^(Note 14)	100%	57,023,463.72	May 2008
Huizhou Huasheng ^(Note 15)	100%	36,734,695	April 2008
Shenzhen Jinshawan ^(Note 16)	100%	50,000,000	May 2009

The acquisitions of the above companies (the “Acquired Companies”) are essentially acquisitions of land and/or buildings but not acquisitions of businesses. The companies acquired during the Track Record Period made no substantial profit or loss contribution.

Notes:

1. *In January 2006, the entire registered capital of Shenzhen Xingwoer was acquired for consideration determined with reference to the registered capital of Shenzhen Xingwoer from independent third parties who were independent of and not connected with our Group and our connected persons. Shenzhen Xingwoer was beneficially and wholly owned by Shenzhen Regal Silver.*
2. *In August 2006, Shenzhen Kaisa Property acquired a 90% interest in Shenzhen Zhongwei for consideration determined with reference to the registered capital of Shenzhen Zhongwei from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of such acquisition, Shenzhen Zhongwei became a wholly owned subsidiary of our Group.*
3. *In March 2007, Shenzhen Jililong acquired a 55% interest in Fenglong Group as to 49% from an independent third party who was independent of and not connected with our Group and our connected persons, and a 6% interest in Fenglong Group from 飛達集團有限公司 (Fitter Holdings Limited), a substantial shareholder of Fenglong Group, for nominal consideration of RMB10,000 which was determined after arm’s length negotiation between the parties to such acquisition.*
4. *In March 2007, Shenzhen Cornwell acquired a 70% interest in Shenzhen Jiachangxin Investment for consideration determined after arms’ length negotiation between the parties to such acquisition from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Shenzhen Jiachangxin Investment became a wholly owned subsidiary of our Group.*
5. *In May 2007, Chengdu Kaisa Property acquired the entire equity interest in Chengdu Nanxing for consideration determined with reference to the registered capital of Chengdu Nanxing from independent third parties who were independent of and not connected with our Group and our connected persons. After completion of the acquisition, Chengdu Nanxing became a wholly owned subsidiary of our Group.*
6. *In June 2007, Huizhou Kaisa Property acquired the entire equity interest in Huizhou Jinhua for consideration of determined with reference to the registered capital of Huizhou Jinhua from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Huizhou Jinhua became a wholly owned subsidiary of our Group.*

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7. *In July 2007, Shenzhen Kaisa Property acquired the entire equity interest in Shenzhen Chuangzhan for consideration determined with reference to the registered capital of Shenzhen Chuangzhan from independent third parties who were independent of and not connected with our Group and our connected persons. After completion of the acquisition, Shenzhen Chuangzhan became a wholly owned subsidiary of our Group.*
8. *In June 2007, Sichuan Kaisa Zhiye acquired a 40% interest in Sichuan Tianzi from an independent third party who was independent of and not connected with our Group and our connected persons. In July 2007, Onfair Asia acquired the remaining 60% interest in Sichuan Tianzi from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of these acquisitions, Sichuan Tianzi became a wholly owned subsidiary of our Group. The total consideration for the acquisition of Sichuan Tianzi was determined with reference to the registered capital of Sichuan Tianzi.*
9. *In December 2007, Yi Qing acquired the entire equity interest in Huizhou Weitong for consideration determined with reference to the registered capital of Huizhou Weitong from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Huizhou Weitong became a wholly owned subsidiary of our Group.*
10. *In December 2007, Yi Qing acquired the entire equity interest in Huizhou Canrong for consideration determined with reference to the registered capital of Huizhou Canrong, from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Huizhou Canrong became a wholly owned subsidiary of our Group.*
11. *In February 2008, Guangdong Kaisa Property acquired the entire equity interest in Jiangyin Taichang for consideration determined with reference to its balance sheet as of January 24, 2008 audited by independent PRC auditors from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Jiangyin Taichang became a wholly owned subsidiary of our Group.*
12. *In January 2008, Guangdong Kaisa Property acquired the entire equity interest in Shanghai Xinwan for consideration determined with reference to the balance sheet of Shanghai Xinwan as of October 31, 2007 adjusted by the fair value change of the land as appraised by a firm of qualified PRC valuers from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of the acquisition, Shanghai Xinwan became a wholly owned subsidiary of our Group.*
13. *In May 2008, Yi Qing acquired a 64% interest in Huizhou Jinhua Entertainment Park from a company which is wholly owned by Mr. Chen Geng Xian who is a general manager of Shenzhen Kaisa Property after he acquired the same interest in April 2008. On the same day, Shenzhen Kaisa Electronic acquired a 36% interest in Huizhou Jinhua Entertainment Park from a company which is wholly owned by Mr. Zhan Qiongmíng (a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007 and a brother-in-law of Mr. Kwok Ying Chi and is a connected person under Chapter 14A of the Listing Rules) after he acquired the same interest in April 2008. The consideration of the aforesaid acquisitions was arrived at after arm's length negotiation between the sellers and was financed by our internal resources. After completion of such acquisitions, Huizhou Jinhua Entertainment Park became a direct wholly owned subsidiary of our Group. The above arrangements were entered into for confidentiality reasons to facilitate negotiations with the independent counterparties to secure better terms for the acquisition. According to the advice of our PRC's legal adviser, there is no legal impediment to obtaining the real estate developer qualifications for the development project.*
14. *In May 2008, Yi Qing acquired a 64% interest in Huizhou Jinhua Resort Village from a company which is wholly owned by Mr. Chen Geng Xian who is a general manager of Shenzhen Kaisa Property. On the same day, Shenzhen Kaisa Electronic acquired a 36% interest in Huizhou Jinhua Resort Village from a company which is wholly owned by Mr. Zhan Qiongmíng (a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007 and a brother-in-law of Mr. Kwok Ying Chi and is a connected person under Chapter 14A of the Listing Rules). The aggregate consideration of the aforesaid acquisitions was arrived at after arm's length negotiation between the sellers and was financed by our internal resources. After completion of such acquisitions, Huizhou Jinhua Resort Village became a direct wholly owned subsidiary of our Group. The above arrangements were entered into for confidentiality reasons to facilitate negotiations with the independent counterparties to secure better terms for the acquisition. According to the advice of our PRC's legal adviser, there is no legal impediment to obtaining the real estate developer qualifications for the development project.*

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15. *In April 2008, Huizhou Kaisa Property and Shenzhen Kaisa Property acquired 65% and 35% equity interest in Huizhou Huasheng respectively for consideration determined with reference to its balance sheet as of April 6, 2008 as audited by independent PRC auditors respectively, from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of such acquisition, Huizhou Huasheng became a wholly owned subsidiary of our Group.*
16. *In May 2009, Shenzhen Leisure Land acquired the entire equity interests in Shenzhen Jinshawan for consideration determined with references to the market valuation of the equity interest in Shenzhen Jinshawan at the time of the acquisition from an independent third party who was independent of and not connected with our Group and our connected persons. After completion of such acquisition, Shenzhen Jinshawan became a wholly owned subsidiary of our Group.*

Trust arrangements involving our subsidiaries

During the Track Record Period, several trust arrangements have been entered into in respect of several of our subsidiaries, details of which are as follows:

- *Beijing Jinmao* — During the period between December 2005 and December 2007, the entire registered capital of Beijing Jinmao was held as to 90% by Ms. Peng Ailing and as to 10% by Mr. Zhan Qiongming, both in trust for Shenzhen Cornwell.
- *Chengdu Nanxing* — During the period between May 2007 and December 2007, the entire registered capital of Chengdu Nanxing was held as to 90% by Mr. Zhan Qiongming and as to 10% by Ms. Zhan Huihua, both in trust for Chengdu Kaisa Property.
- *China Agriculture* — During the period between October 2006 and October 2007, the issued share capital was held by China New World Holdings Limited in trust for Mr. Kwok Ying Shing.
- *Dongguan Kaisa Property* — During the period between September 2004 and September 2005, the entire registered capital of Dongguan Kaisa Property was held as to 90% by Shenzhen Kaisa Baihuo and as to 10% held by Mr. Guo Ying Long, both in trust for Shenzhen Kaisa Property. During the period between September 2005 and November 2005, registered capital in the amount of RMB2 million, then representing a 10% interest in Dongguan Kaisa Property, was held by Mr. Mai Weiliang in trust for Shenzhen Kaisa Property. During the period between November 2005 to July 2007, registered capital in the amount of RMB3.8 million, then representing a 10% interest in Dongguan Kaisa Property, was held by Mr. Mai Weiliang in trust for Shenzhen Kaisa Property.
- *Dongguan Yingsheng* — During the period between March 2006 and July 2006, registered capital in the amount of RMB800,000, then representing a 10% interest in Dongguan Yingsheng, was held by Mr. Mai Weiliang in trust for Dongguan Kaisa Property. During the period between July 2006 and September 2007, the entire registered capital was held as to 90% by Mr. Guo Ying Long and as to 10% by Mr. Mai Weiliang, both in trust for Dongguan Kaisa Property.
- *Dongguan Yingtai* — During the period between January 2007 and December 2007, the entire registered capital of Dongguan Yingtai was held as to 60% by Mr. Zou De and as to 40% by Mr. Lin Daohong, both in trust for Shenzhen Kaisa Technology.

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- *Guangdong Kaisa Property* — During the period between July 2007 and September 2007, the entire registered capital of Guangdong Kaisa Property was held as to 51% by Mr. Guo Ying Long and as to 49% by Mr. Luo Han Dun, both in trust for Shenzhen Kaisa Property.
- *Guangzhou Jinmao Property* — During the period between December 2005 and June 2006, registered capital in the amount of RMB1 million, then representing a 10% interest in Guangzhou Jinmao Property, was held by Chen Zhensheng in trust for Beijing Jinmao. During the period between June 2006 and December 2007, that 10% interest capital was held by Mr. Zhan Qiongming in trust for Beijing Jinmao.
- *Regal Silver* — During the period between December 2003 and August 2007, the entire issued share capital of Regal Silver was held as to 90% by Cheng Geng Xian in trust for Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai as to 34%, 33% and 33% of the issued share capital of Regal Silver respectively.
- *Shenzhen Taijian* — During the period between July 2007 and December 2007, the entire registered capital of Shenzhen Taijian was held by Guo Tianlu in trust for Shenzhen Kaisa Baihuo. On December 18, 2007, the entire registered capital of Shenzhen Taijian was transferred to Shenzhen Wanyuchang.
- *Shenzhen Xingwoer* — During the period between January 2006 and February 2006, the entire registered capital of Shenzhen Xingwoer was held as to 90% by Mr. Guo Ying Long and as to 10% by Mr. Mai Weiliang both in trust for Shenzhen Regal Silver. During the period between February 2006 and December 2007, the entire registered capital was held as to 90% by Mr. Luo Han Dun and as to 10% by Mr. Chen Geng Xian, both in trust for Shenzhen Regal Silver.
- *Shenzhen Zhaoruijing* — During the period between July 2004 and December 2007, the entire registered capital of Shenzhen Zhaoruijing was held as to 90% by Mr. Guo Ying Long and as to 10% by Mr. Guo Ying Guang both in trust for Shenzhen Kaisa Baihuo. On December 14, 2007, the entire registered capital was transferred to Shenzhen Wanyuchang.
- *Shenzhen Jililong* — During the period between November 2004 and November 2005, registered capital in the amount of RMB1.2 million, then representing a 10% interest in Shenzhen Jililong, was held by Mr. Guo Ying Long in trust for Shenzhen Kaisa Property.
- *Zhuhai Zhanda* — During the period between January 2007 and November 2007, registered capital in the amount of RMB3 million, then representing a [6]% interest in Zhuhai Zhanda, was held by Mr. Guo Ying Long in trust for Shenzhen Kaisa Property.

The relationships among the trustees mentioned above and our Group and/or the Controlling Shareholders are set out as follows:

<u>Name of the trustees</u>	<u>Relationship with our Group and/or the Controlling Shareholders</u>
Mr. Guo Ying Guang	a cousin of the Kwok Family
Mr. Guo Ying Long	a cousin of the Kwok Family

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<u>Name of the trustees</u>	<u>Relationship with our Group and/or the Controlling Shareholders</u>
Mr. Liu Qiang (<i>Note</i>)	a consultant of our Group
Mr. Mai Weiliang	our employee
Mr. Luo Han Dun	a brother-in-law of Mr. Kwok Chun Wai
Mr. Chen Geng Xian	an executive Director
Ms. Peng Ailing	a spouse of Mr. Chen Geng Xian
Mr. Guo Tianlu	our employee
Mr. Zhan Qiongmeng	a brother-in-law of Mr. Kwok Ying Chi and a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007
Ms. Zhan Huihua	a spouse of Mr. Zhan Qiongmeng
Mr. Chen Zhensheng	an independent third party
Mr. Zou De	our employee
Mr. Lin Dao Hong	our employee

Note: Mr. Liu Qiang was previously an executive Director. He resigned as executive Director and became a consultant of the Group in October 2008. He was previously responsible for general management and the daily operations of the Group prior to July 2007, and he was also responsible for the investment development of the Group after July 2007 up to the date of his resignation as an executive Director. Mr. Sun Yuenan has currently taken over the responsibilities of Mr. Liu Qiang. The arrangement was made due to reasons pertaining to Mr. Liu Qiang's health, and this arrangement has not affected the Group's business operations. Mr. Liu Qiang has resigned and will not continue to act as director of the Company's subsidiaries. As a consultant of our Group, Mr. Liu Qiang is responsible for providing consultancy services to and advising our Group on its investment business. Mr. Liu Qiang draws a fixed monthly salary and his remuneration as a consultant of our Group is based on his experience and our Group's assessment of his contribution to our Group.

The above trust arrangements were entered into for the following reasons:

- (1) to comply with the then-PRC Company Law requirement that a limited liability company established in the PRC have at least two shareholders (this requirement has been abolished); and/or
- (2) to keep the ownership of these subsidiaries confidential for commercial reasons at the beginning stage of the development of the relevant project and also for administrative convenience.

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Pursuant to the terms of the declarations of trust, the relevant trustees confirmed that the equity interest held by them, together with the corresponding dividend rights, voting rights, and distributions of profit attributable to the corresponding equity interest, were held in trust for the relevant beneficiaries and that the trustees would exercise all such rights in accordance with the direction of the relevant beneficiaries. No reward or other form of benefit was provided to any of the trustees for entering into the trust arrangements.

As advised by our PRC legal advisers, each of the trust arrangements in relation to the equity interests in Beijing Jinmao, Chengdu Nanxing, Dongguan Kaisa Property, Dongguan Yingsheng, Dongguan Yingtai, Guangdong Kaisa Property, Guangzhou Jinmao Property, Shenzhen Jililong, Shenzhen Taijian, Shenzhen Xingwoer, Shenzhen Zhaoruijing and Zhuhai Zhanda was legal, valid and enforceable in accordance with its terms under the laws of the PRC.

Disposal of certain Project Companies and holding companies

In connection with the Reorganization, several PRC holding companies (the “PRC Disposed Companies”) were disposed of, as more fully set out in the following table:

PRC Disposed Companies	Prior to the Reorganization		After the Reorganization		Date of the disposal	Consideration (in RMB) (Note 2)
	Transferor	Equity interest	Transferee	Equity interest		
Jinmao International	Beijing Jinmao	90%	Independent third parties not connected with our Company and our subsidiaries	100%	June 4, 2007	100 million
	Mr. Zhan Qiongmeng holding in trust for Beijing Jinmao	10%				
Dongguan Yinglian	Dongguan Kaisa Property Zou De	90% 10%	Mr. Lin Daohong Mr. Zou De both holding in trust for Mr. Kwok Chun Wai (Note 1)	90% 10%	July 10, 2007	9 million 1 million
Guangzhou Xinhongrui	Shenzhen Jililong	100%	Mr. Zhan Qiongmeng Ms. Zhan Huihua both holding in trust for Mr. Kwok Chun Wai (Note 1)	60% 40%	November 13, 2007	18 million 12 million
Shenzhen Jiachangxin Property	Shenzhen Kaisa Property	100%	Mr. Zhan Qiongmeng Ms. Zhan Huihua both holding in trust for Mr. Kwok Chun Wai (Note 1)	60% 40%	December 20, 2007	24.48 million 16.32 million
Shenzhen Kaisa Baihuo	Mr. Luo Han Dun holding in trust for Shenzhen Jililong Shenzhen Jililong	10% 90%	Mr. Zhan Qiongmeng Ms. Zhan Huihua both holding in trust for Mr. Kwok Chun Wai (Note 1)	10% 90%	December 17, 2007	0.6 million 5.4 million
Shenzhen Finance	Shenzhen Kaisa Property	55%	Independent third parties not connected with our Company and our subsidiaries	100%	July 7, 2008	8.25 million

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Notes:

1. *Mr. Zhan Qiongming, a director of each of Guangzhou Jinmao Property and Chengdu Nanxing until November 2007 and a brother-in-law of Mr. Kwok Ying Chi, is a connected person under Chapter 14A of the Listing Rules. Ms. Zhan Huihua, is the spouse of Mr. Zhan Qiongming, is also a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Lin Daohong and Mr. Zou De are both independent of and not connected with our Company or our subsidiaries. Each of these transferees hold the interest in respective PRC Disposed Company in trust for Mr. Kwok Chun Wai who has beneficial interests in each of the respective PRC Disposed Companies. These trust arrangements were entered into for administrative convenience. The acquisitions of these companies by these transferees were financed by advances provided by Mr. Kwok Chun Wai.*
2. *Each of the PRC Disposed Companies was transferred for consideration which was arrived on arm’s length basis with reference to its registered capital, and the consideration has been fully paid by the relevant transferee. Our Directors confirm that the aforesaid consideration was fair and reasonable as it represents fair value of the PRC Disposed Companies.*

The PRC Disposed Companies had no active business and made no substantial profit contribution to our Group during the Track Record Period. Accordingly, they were disposed of as part of the Reorganization. No contingent liability arose from the disposal of the PRC Disposed Companies. Each of the PRC Disposed Companies which is beneficially owned by Mr. Kwok Chun Wai has undertaken not to engage in any business that competes directly or indirectly with that of our Group.

In addition, on August 20, 2007, Kaisa Holdings disposed of the entire issued share capital of each of Beifang Investment, Eastern Asia, Sino South, South Place and Xinan Investment (the “BVI Disposed Companies”), each an investment holding company, to Friendship (China) (an investment holding company ultimately wholly controlled by the Kwok Family) for a nominal consideration of US\$1 (which was arrived at after arm’s length negotiation between the parties on the basis of the share capital of the BVI Disposed Companies) as part of the Reorganization. These companies had no active business and made no profit contribution to the Group during the Track Record Period.

For the three years ended December 31, 2008 and the six months ended June 30, 2009, the aggregate profit/loss attributed to the PRC Disposed Companies and the BVI Disposed Companies is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	
Profit/(loss) attributed to the PRC Disposed Companies and the BVI Disposed Companies	[(211)]	[67]	[—]	[—]

Establishment of our Company to acquire and hold equity interests in our Group

On August 2, 2007, our Company was incorporated to act as the holding company for all the businesses and operations of our Group through the Intermediate Holding Company, which is a wholly-owned subsidiary of our Company. The initial authorized share capital of our Company was HK\$380,000 divided into 3,800,000 Shares. Upon its incorporation, our Company was wholly owned

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by Mr. Kwok Chung Wai. On August 8, 2007, our Company became owned as to 33% by Da Chang (a company wholly owned by Mr. Kwok Chun Wai), as to 34% by Da Feng (a company wholly owned by Mr. Kwok Ying Shing) and as to 33% by Da Zheng (a company wholly owned by Mr. Kwok Ying Chi).

On August 16, 2007, our Company acquired the entire issued share capital of the Intermediate Holding Company from its existing shareholders, Da Chang, Da Feng and Da Zheng, which at the time of the acquisition held 33%, 34% and 33%, respectively, of the issued share capital of the Intermediate Holding Company. As consideration for the acquisition of the Intermediate Holding Company, our Company allotted and issued new Shares to Da Chang, Da Feng and Da Zheng so that our Company became owned as to 33% by Da Chang, as to 34% by Da Feng and as to 33% by Da Zheng.

Establishment of Chang Yu to acquire and hold the equity interests in Da Chang, Da Feng and Da Zheng

On October 31, 2007, Chang Yu was incorporated in the BVI to act as the holding company of Da Chang, Da Feng and Da Zheng. Upon its incorporation, Chang Yu was owned as to 33% by Mr. Kwok Chun Wai, as to 34% by Mr. Kwok Ying Shing and as to 33% by Mr. Kwok Ying Chi. On November 16, 2007, Chang Yu acquired the entire issued share capital of Da Chang, Da Feng and Da Zheng from Kwok Chun Wai, Kwok Ying Shing and Kwok Ying Chi. As a result, Chang Yu became owned as to 33% by Mr. Kwok Chun Wai, as to 34% by Mr. Kwok Ying Shing and as to 33% by Mr. Kwok Ying Chi.

Compliance with PRC laws and regulations

As advised by King & Wood, our PRC legal advisers, we and the Founding Shareholders have duly complied with all PRC laws, rules and regulations (including the Rules in relation to Foreign Acquisitions in the Mainland (關於外國投資者併購境內企業的規定) jointly issued by the MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE) in connection with the Reorganization and all relevant approvals from the PRC government authorities have been obtained in connection with the Reorganization. Because the Founding Shareholders are not PRC residents, the “Notice of SAFE 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 on October 21, 2005 does not apply to the Company or the Founding Shareholders.

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Concert Party Agreement

As shown in the shareholding structure of our Group immediately prior to the Reorganization on page [●] of this document:

- The Kwok Family were interested in, and entitled to exercise the voting rights (whether direct or indirect) attaching to, the entire issued share capital of each of Kaisa Holdings, Woodland Height, Regal Silver and Leisure Land throughout the Track Record Period.
- The entire issued share capital of Cornwell Holdings was held by Mr. Kwok Chun Wai and Mr. Kwok Ying Chi throughout the Track Record Period.
- The entire issued share capital of Success Take was held ultimately by Mr. Kwok Ying Chi throughout the Track Record Period.
- The entire interest in Kaisa Technology Company was held by Mr. Kwok Chun Wai throughout the Track Record Period.
- Kaisa Holdings, Woodland Height, Regal Silver, Leisure Land, Cornwell Holdings, Success Take and Kaisa Technology Company (“Hong Kong Subsidiaries”) were the holding companies of our PRC subsidiaries.

As shown in the shareholding structure of our Group after completion of the Reorganization on page [120] of this document, the Company has become the ultimate holding company of our Group. The Kwok Family has been interested in and entitled to exercise voting control over the entire issued share capital of the Company. The Company, together with our Hong Kong Subsidiaries, are hereinafter referred to as the “Target Entities.”

Pursuant to an agreement (the “Concert Party Agreement”) dated April 28, 2008 and entered into among the Kwok Family, each of them agreed, confirmed and ratified, among other things, since he became interested in and possessed voting rights (whether direct or indirect) in the Target Entities, each of them has been actively cooperating with each other and acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on all major affairs relating to the Target Entities and through their control in the Target Entities, our subsidiaries in the PRC. These major affairs include matters required to be approved by shareholders under the respective articles of association of the Target Entities, such as the declaration of dividends, the approval of annual budgets, the adoption of accounts and the appointment of auditors.

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In particular, pursuant to the Concert Party Agreement, the Kwok Family agreed, confirmed and ratified that, during the Track Record Period, among other things:

- (i) when exercising their respective voting rights at the shareholders' meetings of the relevant Target Entities, they have voted, or procured any entities and trusts controlled by them which were entitled to vote at the shareholders' meetings of the Target Entities (and our PRC subsidiaries through the Target Entities) to vote, as the case may be, unanimously in accordance with the consensus achieved among the Kwok Family; and
- (ii) prior to voting on any resolutions in shareholders' meeting and board meeting of the Target Entities, each member of the Kwok Family would discuss the relevant matters with one another with a view to reaching consensus and an unanimous vote; and decisions based on the consensus achieved in the shareholders' meetings and/or board meetings of the Target Entities will not be challenged by the members of the Kwok Family for any reason.

The arrangements under the Concert Party Agreement will continue to have effect thereafter unless:

- (a) the parties thereto agree in writing to terminate the same; or
- (b) (in respect of a particular Target Entity) upon the winding up of the relevant Target Entity by the passing of a shareholders' resolution or pursuant to a court order.

Through the Concert Party Agreement and based on the unanimous voting record among the Kwok Family, the Kwok Family is a group of controlling shareholders and satisfies the ownership continuity and control requirements under Rule 8.05(1)(c) of the Listing Rules.

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STRATEGIC INVESTMENTS

Senior secured term loan facility

A credit agreement (the “First Credit Agreement”) was entered into between our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies named therein, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take, Leisure Land and CSS on August 24, 2007 (the “First Credit Agreement Date”) pursuant to which CSS agreed to make available to our Company a term loan facility of up to US\$25 million. On September 12, 2007 (the “Credit Agreement Date”), our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies named therein, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take and Leisure Land entered into the Credit Agreement with the Lenders named therein, who are independent from and not connected with the Company and its subsidiaries, pursuant to which the First Credit Agreement was amended and restated such that the Lenders named therein agreed to make available to our Company a term loan facility in an aggregate amount of US\$200 million. On October 24 2009, our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies named therein, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take and Leisure Land entered into an amendment agreement (the “Amendment Agreement”), pursuant to which various terms of the Credit Agreement were amended and restated.

We intend to use our internal funds to finance our repayment of the Loan.

The principal terms of the Credit Agreement (as amended and restated) are set out as follows:

The Borrower : Our Company

Lenders as at the Latest Practicable Date : (a) CSS, an overseas branch of Credit Suisse, a joint stock corporation established under Laws of Switzerland which is wholly-owned by Credit Suisse Group;

(b) ML, a company incorporated in the state of Delaware in the United States, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons;

(c) Kamsara, a company incorporated in the BVI, is an investment holding company controlled by Cheung Kong (Holdings) Limited and whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons;

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- (d) Forum, an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner Forum Asian Realty Income II GP Limited, an exempted company formed under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons. Forum has been established to make structured debt and equity investment in, and in conjunction with, Asian real estate companies. Forum's investments consist primarily of privately negotiated and structured common or preferred equity, straight or convertible debt, or other structured securities of the Asian real estate companies;
- (e) PMA, a Cayman Islands exempted limited liability company organized under the laws of the Cayman Islands whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons, is a company which invests primarily in debt securities issued by companies and governments in the Asia Pacific Region and from time to time, in equities to take advantage of special opportunities;
- (f) PMA Temple Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons;
- (g) Diversified Asian Strategies Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons; and
- (h) PMA Focus Fund, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons.

Term Loan Facility : US\$200 million, which was fully drawn down in September 2007.

Reason for the transaction and the use of proceeds : The Credit Agreement was entered into for the purpose of raising funds for funding land acquisitions and property development projects. The proceeds of US\$200 million, together with our internal funds, have been used as follows:

- approximately [35]% were used for purchase land for development projects in Chengdu, Changsha and Dongguan; and
- approximately [65]% were used for the acquisition of project companies in Shenzhen, Huizhou, Chengdu, Jiangyin and Shanghai.

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- Interest rate : Under the Credit Agreement, our Company agreed to pay an interest rate of 8.8% per annum payable in arrears semi-annually on the outstanding facility amount from August 24, 2007 until October 26, 2009 (both dates inclusive), and for the period from October 27, 2009 until the Final Maturity Date, quarterly on December 31, 2009, March 31, 2010, June 30, 2010, September 30, 2010 and on the Final Maturity Date.
- Repayment : Our Company must repay the Loan on the following dates in the following amounts:
- US\$30,000,000 by October 27, 2009;
 - US\$20,000,000 by December 31, 2009;
 - US\$14,000,000 by March 31, 2010;
 - US\$14,000,000 by June 30, 2010;
 - US\$14,000,000 by September 30, 2010; and
 - The balance of the outstanding Loan in full on December 1, 2010 (the "Final Maturity Date").
- Debt service reserve account : the Company is required to deposit amounts into the debt service reserve account on or before the date falling 3 months before each interest payment date to ensure that the amount standing to the credit of the debt service account (after taking into account any withdrawal effected on that day from the debt service reserve account) is not less than the required debt service reserve account balance as prescribed by the Credit Agreement on that date.
- Collateral : The Loan is secured by a charge over the debt service amount of our Company, corporate guarantees provided by the offshore subsidiaries of our Company, security interests over Shares owned by each of Da Chang, Da Feng and Da Zheng and the shares of the offshore subsidiaries of our Company and security interests over intercompany loans owed by each member of our Group to our Company or an offshore subsidiary of our Company.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Rights of the Lenders and restrictive covenants : The major rights of the Lenders and restrictive covenants under the Credit Agreement are set out below:

(a) Financial information

Our Company shall supply to CSS as the facility agent in sufficient copies for all the Lenders the audited consolidated financial statements of our Group for each of its annual accounting periods, the unaudited consolidated financial statements of our Group for each of its semi-annual accounting periods, and a certificate establishing compliance by the Group of the financial covenants set out in paragraph (q).

(b) Miscellaneous information right

Each of the Obligors and the members of our Group shall supply to CSS as the facility agent (i) all documents and material notices despatched by it to its shareholders or investors (or any class of them) (if applicable) or by it to its creditors of financial indebtedness (or any class of them) at the same time as they are despatched (including but not limited to financial statements, notices of meetings, etc); (ii) details of any litigation, arbitration or administrative proceedings which are current, threatened or pending, and which might, if adversely determined, have a material adverse effect; and (iii) such further information in its possession or control regarding its financial condition and operations as any finance party (through CSS as the facility agent) may reasonably request, in each case in sufficient copies for all of the lenders, if CSS as the facility agent so requests. Each of the Obligors and the members of our Group must ensure that any representative properly appointed by CSS as the facility agent or other finance party be allowed access to our premises to inspect the books, records and other data in our possession or control in accordance with the terms of the Credit Agreement.

(c) Land Acquisition

Our Company shall supply to CSS as the facility agent on the last day of each calendar quarter a progress report regarding the status of each acquisition of real property located in the PRC (or the shares in the company holding such real property) ("Land Acquisition") financed or to be financed out of the proceeds of the Loan.

(d) Negative pledge clause

(a) No Obligor shall create or permit to subsist any security interest on assets which constitute (or purport to constitute) the subject matter of any security interest created or (purported to be created) under the security documents in connection with the Loan (the "Security Documents"), other than security interests created pursuant to the Security Documents.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (b) Unless with the prior written consent of CSS, none of the Obligors and the members of our Group incorporated outside of the PRC shall create or permit to subsist any security interest on any of our assets, other than the security interests created pursuant to the Security Documents.
- (c) Unless with the prior written consent of CSS, no member of our Group incorporated in the PRC shall create or permit to subsist any security interest on any of our assets, save as otherwise permitted under the Credit Agreement.
- (e) Transactions similar to security

None of the Obligors and the members of our Group shall sell, transfer or otherwise dispose of any of its assets on terms whereby it is or may be leased to or re-acquired or acquired by it or any of its related entities; or any of its receivables on recourse terms, except for the discounting of bills or notes in the ordinary course of trading, in circumstances where the transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset.

- (f) Disposals

No Obligor shall either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of any assets which constitute (or purport to constitute) the subject matter of any security interest created or (purported to be created) under the Security Documents.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

None of the Obligors and the members of our Group shall, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer, grant or lease or otherwise dispose of any of its assets other than: (i) disposals with the prior written consent of the Majority Lenders, (iii) disposals (not being a disposal of an asset expressed to be subject to any security interest purported to be created under any Security Document) made in the ordinary course of business of the disposing entity, (iv) disposals of assets in exchange for (or disposals of assets for cash and the application within six months of the cash in the acquisition of) other assets comparable or superior as to type, value and quality, (v) disposals of obsolete assets, (vi) disposals contemplated under the corporate reorganization for the preparation of [●], (vii) disposals constituting a Change of Control Event (to the extent that the relevant provisions set out in another clause (Mandatory Prepayment upon a Change of Control Event) have not been breached); or (viii) disposal (not being a disposal of an asset expressed to be subject to any security interest purported to be created under any Security Document) where the book value of the assets subject to such disposal (when aggregated with the book value of the assets subject to all other disposals, amalgamations, demergers, reconstructions or consolidations or mergers to which this paragraph (vi) applies) does not exceed 10% or more of the aggregate book value of all assets of our Group as shown in the latest consolidated financial statements of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

(g) Mergers

None of the Obligors and the members of our Group shall enter into any amalgamation, demerger, merger, reconstruction or consolidation other than (i) amalgamation, demerger, merger, reconstruction or consolidation under an intra-group reorganization of our Group on a solvent basis (provided that not less than 60 days' prior notice shall be given to the finance parties, namely, the arranger, an agent, an account bank or a Lender in connection with the Loan, with respect to such amalgamation, demerger, merger, reconstruction or consolidation); (ii) the corporate reorganization; (iii) a Change of Control Event; provided that if (iv) any amalgamation, demerger, merger, reconstruction or, as the case may be, consolidation permitted under any of the sub-paragraphs above involves an Obligor and that Obligor is not the entity surviving such amalgamation, demerger, merger, reconstruction or, as the case may be, consolidation, the performance and observance of all obligations of that Obligor under the finance documents relating to the loan facility under the Credit Agreement to which it is a party must be expressly assumed in writing by the entity surviving such amalgamation, demerger, merger, reconstruction or, as the case may be, consolidation to the satisfaction of the CSS as the facility agent (acting on the advice of its legal adviser).

(h) No loans or guarantees

(i) No member of our Group incorporated outside of the PRC shall make any loan or other financial accommodation or credit available to any person other than with the prior written consent of the Majority Lenders; or shareholders' loans made available to any member of our Group, to the extent the benefits in such shareholders' loans are subject to the security interests created under a security deed as part of the Security Documents.

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- (ii) No member of our Group incorporated in the PRC shall make any loan or other financial accommodation or credit available to any person other than trade credit or account receivables granted or created in the ordinary course of business of the relevant member of our Group; outstanding receivables of our Group (to the extent that the provisions set out in the Credit Agreement have not been breached); with the prior written consent of the Majority Lenders; or intercompany loans made available to any member of our Group, provided that where the relevant intercompany loan is made available to an Obligor, such intercompany loan shall be subordinated to loan facility under the Credit Agreement on terms and conditions satisfactory to CSS as the facility agent.
- (iii) No member of our Group incorporated outside of the PRC shall grant any guarantee or indemnity of any liability of any person other than guarantees given under the Finance Documents; guarantees granted in support of any additional financing; guarantees granted in favour of the lenders of financial indebtedness incurred by any member of our Group incorporated in the PRC; or with the prior written consent of the Majority Lenders.
- (iv) No member of our Group incorporated in the PRC shall grant any guarantee or indemnity of any liability of any person, other than guarantee or indemnity granted with the prior written consent of the Majority Lenders; guarantee or indemnity granted by a member of our Group in relation to financial indebtedness incurred by another member of our Group; or guarantee or indemnity granted by a member of our Group in its ordinary course of business on customary terms in favour of any bank or financial institution in the PRC providing mortgage loans to their customers for the purposes of financing the purchase by those customers of individual units of properties developed by that member.

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(i) Restricted payments

None of the Obligors and the members of our Group shall make any gift, donation, grant or other accommodation available to any person other than (i) with the prior written consent of the Majority Lenders; (ii) payment of performance bonus to employees (excluding the Founding Shareholders and their respective associates) in the ordinary course of business, including payment in kind pursuant to any employees' share option scheme so long as such payment does not contravene the provisions in the warrant instruments in connection with the Tranche A Warrants and the Tranche B Warrants; or (iii) gift, donation or other accommodation of a value (when aggregated with the value of all other gifts, donations and accommodations made within the same annual accounting period to which neither (i) or (ii) above applies) not exceeding US\$5,000,000.

(j) Shares

None of the Obligors and the members of our Group shall alter, change, reduce, redeem or purchase any of its share capital or exercise any rights of forfeiture which it may have in respect of any of its share capital other than with the prior written consent of the Majority Lenders; or as expressly permitted or contemplated under the Credit Agreement.

(k) Payment of dividends

Our Company may not pay or make any dividend or other distribution in cash or in specie with respect to its share capital at any time prior to an IPO (except for the payment of the special dividend permitted under the Credit Agreement); at any time while a default is continuing; or if the payment or making of such dividend or distribution might result in the occurrence of a default.

(l) Amendments to constitutional documents

None of the Obligors and the members of our Group may, without the prior written consent of the Majority Lenders, amend its memorandum or articles of association or other constitutional documents or enter into any agreement with any of the shareholders or investors in a manner or to an extent which is reasonably likely in any way to have a material adverse effect.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

(m) Material transactions

None of the Obligors and the members of our Group may enter into any transaction with any person otherwise than transactions on arm's length terms in the ordinary course of business and for fair value; or transaction entered into with the prior written consent of the Majority Lenders.

(n) Transactions with related parties

None of the Obligors and the members of our Group may trade or deal with any of its related parties (including, without limitation, the payment or incurrence of management or similar service fees) (each a related transaction) without the prior written consent of the Majority Lenders, other than transactions on arm's length terms in the ordinary course of business and for fair value; or transactions effected among members of our Group.

(o) Year end

No member of our Group shall change its financial year end without the prior written consent of the Majority Lenders.

(p) Intellectual Property Rights

Each of the Obligors and the members of our Group must not use or permit any intellectual property right of our Group to be used in a way which may take or omit to take any action which may, adversely affect the existence or value of such intellectual property right, and not grant any licence in respect of those intellectual property rights.

(q) Financial Indebtedness and financial covenants

The aggregate amount of outstanding financial indebtedness of the members of our Group incorporated outside the PRC (the "Offshore Borrowings") shall not exceed US\$275,000,000, other than any guarantee, indemnity or similar assurance against financial loss of any person issued by a member of our Group incorporated outside the PRC in respect of any Offshore Borrowings to the extent of the amount of such Offshore Borrowings so guaranteed, indemnified or assured; or any premium payment by our Company in the event there is no Qualifying IPO prior to the Final Maturity Date, pursuant to the terms of the Credit Agreement.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

We are subject to certain financial covenants. Our Company must ensure that (a) the ratio of Consolidated EBITDA (as defined in the Credit Agreement) to consolidated interest expense (as defined in the Credit Agreement) for each Measurement Period does not fall below: (i) in the case of the Measurement Period ending on December 31, 2007 or June 30, 2008, 2.5:1; and (ii) in the case of any other Measurement Period, 1.5:1; and (b) the ratio (expressed as a percentage) of Consolidated Total Borrowings (as defined in the Credit Agreement) to consolidated total capitalisation (as defined in the Credit Agreement) does not, as at the end of each Measurement Period, exceed: (i) in the case of the Measurement Period ending on June 30, 2008, 75%; (ii) in the case of the Measurement Period ending on December 31, 2008, 65% (if an IPO occurs during that Measurement Period) or 75% (if no IPO occurs during that Measurement Period); and (iii) in the case of any Measurement Period ending after December 31, 2008, 60% (if an IPO has occurred during that or any previous Measurement Period) or 75% (if no IPO occurred during that or any previous Measurement Period).

The Loan is subject to certain customary events of defaults. In particular, the Company is subject to the following events of cross defaults: (a) any Financial Indebtedness (as defined in the Credit Agreement, hereinafter "Financial Indebtedness") of an Obligor or a member of our Group (save as provided in the Credit Agreement) is not paid when due or within any originally applicable grace period; (b) an event of default howsoever described occurs under any document relating to such Financial Indebtedness of an Obligor or a member of our Group; (c) any Financial Indebtedness of an Obligor or a member of our Group becomes prematurely due and payable or is placed on demand as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; (d) any commitment for, or underwriting of, any Financial Indebtedness of an Obligor or a member of our Group is cancelled or suspended as a result of an event of default (howsoever described) under the document relating to that Financial Indebtedness; or (e) any security interest (as defined in the Credit Agreement) securing Financial Indebtedness over any asset of an Obligor or a member of our Group becomes enforceable, unless the aggregate amount of Financial Indebtedness falling within paragraphs (a) to (e) above is less than US\$10,000,000 (or its equivalent in other currencies). Upon the occurrence of such events of default, our Company may be required to repay the Loan on demand on and subject to the terms of the Credit Agreement.

Except as disclosed above, there is no other agreement or arrangement between the Lenders and our Company with respect to the control, management, operations and development of our Group. To the best of the knowledge, information and belief of our Directors, no agreement or arrangement was entered into between the Lenders and the connected persons of our Company with respect to the control, management, operations and development of our Group.

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The Amendment Agreement as compared with the Credit Agreement dated September 12, 2007

The main amendments made to the Credit Agreement by the Amendment Agreement are set out as follows:

<u>No.</u>	<u>Subject</u>	<u>Original terms</u>	<u>Amended terms</u>
1.	Maturity date	August 24, 2010	The Final Maturity Date
2.	Interest payment date	<p>“Interest Payment Date” means each of the following dates:</p> <p>(a) the respective dates falling 6 months, 12 months, 18 months, 24 months, 30 months and 36 months after the drawdown date (but excluding any such date if it falls after August 24, 2010) and provided that if any such date is not a business day, the business day immediately succeeding that date in the same calendar month (or, if there is no such succeeding business day in the same calendar month, the business day immediately preceding that date) shall be an Interest Payment Date); and</p> <p>(b) August 24, 2010.</p>	<p>“Interest Payment Date” means each of December 31, 2009, March 31, 2010, June 30, 2010, September 30, 2010 (provided that if any such date is not a business day, the business day immediately succeeding that date in the same calendar month (or, if there is no such succeeding business day in the same calendar month, the business day immediately preceding that date) shall be an Interest Payment Date) and the Final Maturity Date.</p>
3.	Repayment	The Loan must be repaid in full by our Company on August 24, 2010.	<p>Our Company must repay the Loan on the following dates in the following amounts:</p> <ul style="list-style-type: none"> ● US\$30,000,000 by October 27, 2009; ● US\$20,000,000 by December 31, 2009; ● US\$14,000,000 by March 31, 2010; ● US\$14,000,000 by June 30, 2010; ● US\$14,000,000 by September 30, 2010; and ● The balance of the outstanding Loan in full on the Final Maturity Date.
7.	Financial Covenant	Our Company must ensure that the ratio of Consolidated Total Borrowings as at the end of each Measurement Period falling on or after December 31, 2008 to Consolidated EBITDA for such Measurement Period does not exceed 4:1.	Covenant deleted

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No.	Subject	Original terms	Amended terms
8.	Financial Covenant	<p>Our Company must ensure that the ratio of Consolidated EBITDA to Consolidated Interest Expense for each Measurement Period does not fall below:</p> <p>(A) in the case of the Measurement Period ending on December 31, 2007 or June 30, 2008, 2.5:1; and</p> <p>(B) in the case of any other Measurement Period, 3:1.</p>	<p>Covenant modified such that our Company must ensure that the ratio of Consolidated EBITDA to Consolidated Interest Expense for each Measurement Period does not fall below:</p> <p>(A) in the case of the Measurement Period ending on December 31, 2007 or June 30, 2008, 2.5:1; and</p> <p>(B) in the case of any other Measurement Period, 1.5:1.</p>
9.	Financial Covenant	<p>Our Company must ensure the ratio (expressed as a percentage) of Consolidated Total Borrowings to Consolidated Total Capitalisation does not, as at the end of each Measurement Period, exceed:</p> <p>(A) in the case of the Measurement Period ending on June 30, 2008, 80 per cent.;</p> <p>(B) in the case of the Measurement Period ending on December 31, 2008, 65 per cent. (if an IPO occurs during that Measurement Period) or 70 per cent. (if no IPO occurs during that Measurement Period); and</p> <p>(C) in the case of any Measurement Period ending after December 31, 2008, 65 per cent.</p>	<p>Covenant modified such that:</p> <p>(A) in the case of the Measurement Period ending on June 30, 2008, 75 per cent.;</p> <p>(B) in the case of the Measurement Period ending on December 31, 2008, 65 per cent. (if an IPO occurs during that Measurement Period) or 75 per cent. (if no IPO occurs during that Measurement Period); and</p> <p>(C) in the case of any Measurement Period ending after December 31, 2008, 60 per cent. (if an IPO has occurred during that or any previous Measurement Period) or 75 per cent. (if no IPO occurred during that or any previous Measurement Period).</p>

Breach of certain covenants and waiver

The global economic slowdown and financial crisis led to a lower demand for our Company’s products, in turn leading to fewer completed properties being delivered and lower ASP achieved. This resulted in lower cash flow and revenue for 2008. In addition, capital expenditure, including payments for land, construction cost and land payment under the contractual arrangement incurred for the year ended December 30, 2008 has adversely affected our financial position, which led to the abovementioned breaches of financial covenants under the Credit Agreement. We have sought and the Lenders have granted waiver with respect to breach of these financial covenants, namely (i) our ratio of Consolidated Total Borrowings to the Consolidated EBITDA for each of the two measurement periods ended December 31, 2008 and June 30, 2009 exceeding 4:1, (ii) the ratio of Consolidated EBITDA to Consolidated Interest Expense for each of the two measurement periods ended December 31, 2008 and June 30, 2009 falling below 3:1, (iii) the ratio of Consolidated Total Borrowings to consolidated total capitalisation (as defined in the Credit Agreement) for each of the two measurement periods ended December 31, 2008 and June 30, 2009 exceeding 70% and 65% respectively and (iv) our failure to ensure that the amount outstanding to the credit of the debt service reserve account is not less than the balance as prescribed by the Credit Agreement. (i) The ratio of Consolidated Total Borrowings to the

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Consolidated EBITDA for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 6.5 and 6.1 respectively, therefore exceeding 4:1, (ii) the ratio of Consolidated EBITDA to Consolidated Interest Expense for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 1.9 and 2.1 respectively, therefore falling below 3:1, (iii) the ratio of Consolidated Total Borrowings to consolidated Total Capitalisation (as defined in the Credit Agreement) for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 70.2% and 67.3% respectively, therefore exceeding 70% and 65% respectively and (iv) our Company failed to deposit US\$8,848,888.89 into the debt service reserve account, therefore failing to ensure that the amount standing to the credit of the debt service reserve account is not less than the balance as prescribed by the Credit Agreement. In addition, we have also sought and the Lenders have granted waiver with respect to our breach of the following non-financial covenants, namely (a) failure to deliver compliance certificates, which are certificates to be provided by our Company to the facility agent to the lender establishing compliance by our Group of the covenants under the Credit Agreement, in connection with our Group's audited financial statements for the year ended December 31, 2008 and unaudited financial statements for the six months period ended June 30, 2009 in compliance with the requirements under the Credit Agreement, (b) failure to deliver financial statements of our Group for the year ended December 31, 2008 and unaudited financial statements of our Group for the six months period ended June 30, 2009 in compliance with the requirements under the Credit Agreement, (c) failure on the part of our Company to discharge all pre-existing security interest prior to the date of the Credit Agreement, (d) failure on the part of our Company to have newly formed or acquired offshore subsidiaries provide the same guarantee and security package to the Lenders equivalent to the guarantee and security package provided by all existing offshore subsidiaries of our Company; and (e) failure on the part of our Company to comply with requirements under relevant security documents to register certain security interests created under those security documents with the relevant governmental authorities. Our Company confirmed that the breaches of the non-financial covenants as stated in (a) and (b) are due to the fact that the audited financial statements of our Company could not be finalized in the absence of a successful restructuring of the Loan. The audited financial statements could not be finalized because our management was working towards the completion of the restructuring, without which the going concern basis for the preparation of financial information could not be readily ascertained. This matter was brought to the Lenders' attention before the deadlines of the submission of the compliance certificates and the audited financial statements and our Company has continuously communicated with the Lenders and provided the relevant financial information to the Lenders at their request. The breaches as stated in (c), (d) and (e) were due to oversight and were not intentional. In respect of (e) above, we have instructed our external Hong Kong legal counsel to proceed with the registration of the security interests in accordance with the procedures set out in the relevant laws and regulations. The Controlling Shareholders have agreed to indemnify us, our Directors and officers against all penalties (statutory or otherwise) that may be levied against us or any of our Directors and officers as a result of the breach of the non-financial covenant stated in (e) above.

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Measures to ensure ongoing compliance with the covenants

The abovementioned breaches of financial and non-financial covenants will not trigger any default of existing domestic loan agreements entered into by our Group and it is therefore not necessary for our Group to re-negotiate on our Group’s domestic loans that contain cross default provisions. Please refer to the section entitled “— Domestic Bank Loans With Cross Default Provisions” in this document for further information on domestic bank loan agreements which our Group has entered into which contain cross default provisions. The abovementioned breaches of financial covenants under the Credit Agreement were due to the global economic slowdown and financial crisis, rather than a lack of internal controls within our Group. As the overall economy further recovers and the real estate industry further improves in China, we believe our financial position will be further strengthened. Hence, we do not expect any future default of the financial and non-financial covenants to occur under the Credit Agreement. The legal consequence of future breaches by our Company of the financial and non-financial covenants in the Credit Agreement is that the Lenders may (i) demand that all or part of the Loan, together with accrued interest and other amounts accrued under the Credit Agreement and related financing documents, such as the charge over accounts, the security deed and the additional security deed entered into by our Company as collateral for the Loan, be immediately due and payable, and/or (ii) enforce all or part of the security in connection with the Credit Agreement. To ensure ongoing compliance with the financial covenants, meetings will be held by the senior management of our Company on a regular basis to monitor and discuss issues in connection with the ongoing compliance of the financial covenants with reference to the monthly financial reports of our Group and cash flow, sales, bank loan balance reports of our Group. Also, we will prepare our financial budget to ensure that it is compatible with the financial covenants. In particular, as our Company is required to deposit amounts into the debt service reserve account on or before the date falling three months before each interest payment date to ensure that the amount standing to the credit of the debt service reserve account is not less than the required debt service reserve account balance as prescribed by the Credit Agreement on that date, we will closely monitor our financial budget and cash flow to ensure that the amount standing to the credit of the debt service reserve account complies with such requirement. Furthermore, we will closely monitor market conditions based on market reports in different regions and information from investors on market conditions to assess the impact on our Group’s profitability and hence the impact on our Group’s ongoing compliance with the financial covenants. In particular, our Company will closely monitor our financial budget and cash flow to ensure that our Company deposits such amounts into the debt service reserve account on or before the date falling three months before each interest payment date, so that the amount standing to the credit of the debt service reserve account is not less than the required debt service reserve account balance as prescribed by the Credit Agreement on that date. To ensure ongoing compliance with the non-financial covenants, the company secretary and the legal department of our Company will closely monitor the ongoing compliance of such covenants and hold regular meetings to ensure that our Company has adhered to the relevant covenants in accordance with the timelines prescribed under the Credit Agreement. Our Company will engage external legal advisers to ensure due compliance with the non-financial covenants as and when necessary.

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Detachable Warrants

In connection with the Loan, on the Credit Agreement Date, our Company issued the Warrants to the original Warrantheolders pursuant to the warrant instruments dated September 12, 2007 (as amended and restated on October 27, 2009) (the "Warrant Instrument(s)"), an agreement separate from the Credit Agreement, executed by our Company, Da Chang, Da Feng and Da Zheng. The Warrants were issued to the original Warrantheolders in return for their participation in the Loan under the Credit Agreement. The principal terms of the Warrants are set out below:

Number of Tranche A Warrants : As at the Latest Practicable Date, the following Warrantheolders hold Tranche A Warrants:

Warrantheolders		Holding
1.	CSS	51,926,536
2.	Other Warrantheolders	<u>148,073,464</u>
	Total	<u><u>200,000,000</u></u>

Number of Tranche B Warrants : As at the Latest Practicable Date, the following Warrantheolders hold Tranche B Warrants:

Warrantheolders		Holding
1.	CSS	27,500,000
2.	Other Warrantheolders	<u>172,500,000</u>
	Total	<u><u>200,000,000</u></u>

Warrant Shares : The Tranche A Warrants confer upon holders thereof (the "Tranche A Warrantheolders"), in respect of each Tranche A Warrant, the right (the "Tranche A Subscription Right") to subscribe Warrant Shares.

The number of Shares which a Tranche B Warrantheolder is entitled to subscribe for upon the exercise of each Tranche B Warrant shall be calculated in accordance with a formula.

Assuming the exercise of the Tranche A Warrants and the Tranche B Warrants in full, our earning per Share will be reduced by approximately %.

The full exercise of the Warrants would not result in the Controlling Shareholders ceasing to be the controlling shareholders of the Company within the period of time as contemplated under Rule 10.07 of the Listing Rules.

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Exercise price : *Tranche A Warrants*

The Tranche A Warrants are exercisable at a price (the “Exercise Price”) of RMB0.10 per Share. The Exercise Price was arrived at after arm’s length negotiations with the Tranche A Warrantholders.

Tranche B Warrants

The Tranche B Warrants are exercisable for nil consideration.

Right of First Refusal : In the event that any of Da Chang, Da Feng and Da Zheng (the “Relevant Transferor”) intends to sell any of the Shares held by it (the “Relevant Sale Shares”) to any person the relevant Transferor shall offer to the Warrantholders to purchase such Relevant Sale Shares on a pro-rata basis (the “ROFR Offer”). In the event that the Warrantholders fail to exercise their rights of first refusal to purchase the Relevant Sale Shares pursuant to the ROFR Offer in accordance with the terms of the Warrant Instrument, the Company shall give notice to the Relevant Transferor and the Warrantholders (a “Permitted Third Party Sale Notice”) notifying that the Relevant Transferor shall be entitled to sell the Relevant Sale Shares to its intended transferee (the “Permitted Third Party”), subject to the Tag Along Option.

Tag Along Option : In the event the Warrantholders receive a Permitted Third Party Sale Notice, each Warrantholder (other than a Warrantholder who has defaulted in its obligation to pay the purchase price for the Relevant Sale Shares pursuant to the ROFR Offer, where applicable) shall have the option to require the Relevant Transferor to cause the Permitted Third Party (or its nominee) to purchase all (but not part) of the Shares issuable to that Warrantholder upon a deemed exercise of the Warrants (the “Tag Along Option”). In the event a Warrantholder elects to exercise its Tag Along Option, that Warrantholder shall be deemed to have exercised all the subscription rights represented by the Warrants then held by it.

Transferability : The Warrants may be transferred in accordance with the requirements of the Warrant Instruments.

No lock-up provision : Upon exercise of the Subscription Rights upon the occurrence of a Qualifying IPO, the Warrantholders are free to dispose or transfer the Shares in an open market and not subject to a lock-up.

Information right : The Company shall send to each Warrantholder at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of Shares generally.

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No special right : The Warrants do not grant to Warrantholders any special rights which are not otherwise available to the public Shareholders. The Warrantholders are not accorded with the same rights or protection as the Lenders.

Lapse of the Warrants : The Tranche A Warrants will lapse on the earliest of: (a) the Final Maturity Date; (c) the date on which a change of control event occurs; and (d) the date on which a resolution or order for the winding up of our Company is passed or made.

The Tranche B Warrants will lapse on the earliest of: (a) the Final Maturity Date; (c) the date on which a change of control event occurs; and (d) the date on which a resolution or order for the winding up of our Company is made or passed.

The percentage of equity shares to be issued by the Company upon the exercise of Tranche A Warrants was fixed when the Tranche A Warrants were issued, while the percentage of equity shares to be issued upon the exercise of Tranche B Warrants still depends on factors that could not have been ascertained at the time when the Tranche B Warrants were issued. Consequently, the Tranche A Warrants were classified as equity and the Tranche B Warrants were classified as a liability in accordance with HKFRS.

The Investment Agreement and the Share Purchase Agreement

On November 16, 2007, the following Investor Shareholders entered into the Investment Agreement and the Share Purchase Agreement (as amended on October 21, 2009):

- (a) Baytree, an investment holding company organized under the laws of Mauritius, an indirect wholly-owned subsidiary of Temasek whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons;
- (b) CAGP, an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner CAGP General Partner, L.P., an exempted limited partnership formed under the laws of the Cayman Islands ("CAGP LP") which acts itself by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands, and an investment fund and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons;
- (c) CAGP III, an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner CAGP LP which acts by its general partner CAGP, Ltd., an exempted company incorporated under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons;

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- (d) Forum, an exempted limited partnership formed under the laws of the Cayman Islands, acting by its general partner Forum Asian Realty Income II GP Limited, an exempted company formed under the laws of the Cayman Islands and whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, not connected with our Company, our subsidiaries and our connected persons;
- (e) Longhill, Ltd., an investment holding company incorporated under the laws of the Cayman Islands, an affiliated entity of CAREP and CAREP II whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company, our subsidiaries and our connected persons;
- (f) PMA, a company incorporated in the Cayman Islands, is an investment company whose ultimate beneficial owners are not connected with our Company, our subsidiaries and our connected persons; and
- (g) RECP, a limited liability company organized under the laws of the State of Delaware, the United States of America, is an entity over which Credit Suisse Group has indirect control. To the best of the knowledge, information and belief of our Directors, RECP is not a connected person of our Company, our subsidiaries and our substantial shareholders.

On November 16, 2007, the Investor Shareholders subscribed an aggregate of 869.565217 new Shares at an aggregate subscription price of US\$200 million (the "Subscription Price"). The proceeds from such issue of new Shares (the "Subscription Shares") were principally applied towards funding land acquisitions by our Group. On the same day, the Investor Shareholders purchased an aggregate of 434.782609 existing Shares (the "Purchased Shares") from Da Chang, Da Feng and Da Zheng at an aggregate purchase price of US\$100 million (the "Purchase Price"). After the subscription of the Subscription Shares and purchase of the Purchased Shares by the Investor Shareholders, the Investor Shareholders held an aggregate of 1,304.347826 Shares, representing approximately 12% of the issued share capital of our Company as enlarged by the issue of the Subscription Shares. Immediately after completion of the Investment Agreement and the Share Purchase Agreement, our Company became owned as to approximately 29.04% by Da Chang, as to approximately 29.92% by Da Feng, as to approximately 29.04% by Da Zheng, as to approximately 5% by Baytree, as to approximately 1.91% by CAGP, as to approximately 0.09% by CAGP III, as to approximately 0.2% by Forum, as to approximately 3% by Longhill, as to approximately 0.90% by PMA and as to approximately 0.90% by RECP.

To the best of our knowledge, information and belief, (i) the Investor Shareholders have never acted as members of a controlling group of Shareholders that could enable their interests to be aggregated with the Controlling Shareholders; and (ii) each of the Investor Shareholders is an independent professional institutional investor with a distinct and individual interest. Except for CAGP, CAGP III and Longhill, which are affiliated entities, each of the Investor Shareholders, to the best of our knowledge, information and belief, is owned and managed by different entities without any cross management among themselves. There has been no understanding, agreement or arrangement that the Investor Shareholders would vote in any coordinated manner consistent with the Controlling Shareholders.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Given the experience in real estate investment of all of the Investor Shareholders and/or their Associates in the PRC, we believe that the Investor Shareholders will be able to provide strategic input in the operations of our Company in the long-term, ranging from the improvement of financial internal controls and general corporate governance practices to the sharing of expertise in the development and management of properties. We believe that the long-term relationship among our Company and the Investor Shareholders will assist us to achieve effective long-term growth in the interest of our Shareholders as a whole.

Under the Investment Agreement, the Investor Shareholders have certain special rights (“Equity Special Rights”) which are not normally available to public Shareholders. The Equity Special Rights include:

- (a) the right (“Director Nomination Right”) to appoint one director (“Investor Director”) and one observer (“Observer”) to the Board by one or more Investor Shareholders holding an aggregate of at least two thirds of all the Shares held by all the Investor Shareholders. Mr. Chen Han was appointed as the Investor Director as the board representative of the Investor Shareholders.
- (b) unless approved by a majority of the members of the Board which majority must include the Investor Director, our Company and our subsidiaries must not (subject to certain exceptions), among other things:
 - amend their constitutional documents;
 - issue any shares or securities;
 - grant, create, incur or suffer to exist any encumbrances on any of their assets; and
 - sell or otherwise dispose of all or substantially all of their assets;
- (d) other customary provisions for the protection of minority shareholders.

Save as disclosed above, there is no other agreement or arrangement between the Investor Shareholders and our Company’s connected persons with respect to the control, management, operations and development of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

DOMESTIC BANK LOANS WITH CROSS DEFAULT PROVISIONS

Set out below is the information pertaining to the loan agreements (except the Credit Agreement) which our Group has entered into and which contain cross default provisions, arranged by the type of cross default provisions:

<u>Type of Cross Default Provisions</u>	<u>Aggregate amount of loan agreements containing such type of cross default provisions</u> <small>(Note 1)</small> <small>(RMB'000)</small>	<u>Range of interest rates of loan agreements containing such type of cross default provisions</u>	<u>Term of loan agreements containing such type of cross default provisions</u>
In the event of the borrower’s default on any other loan agreements or guarantee agreements or the guarantor’s default on the guarantee agreement that may affect the borrower’s performance of the obligations herein, the lender is entitled to demand the immediate repayment of the loan	1,030,000	6.05–6.21%	2–3 years
In the event of a default in whole or in part by the borrower on any loans that is granted by the lender and any other commercial banks to one of the Kaisa group companies (ie Shenzhen Daye, Shenzhen Kaisa Technology, Shenzhen Kaisa Property and Chengdu Nanxing), the lender is entitled to demand immediate repayment of all or parts of the loans by the Kaisa group companies. The lender is also entitled to demand immediate repayment of the loan under any of the following circumstances if the lender considers that the lender’s rights under this agreement may be jeopardised, namely: the borrower’s failure to pay any other debts when due (including debts due which shall be paid to various branches of the lender or any other third party), the borrower transferring assets at undervalued prices or for free, the borrower exempting or reducing any other third party’s debts, the borrower delaying in exercising its lender’s right due or other rights, or the borrower providing a guarantee for any other third party.	300,000	5.67%	2 years
If any event of default by the borrower occurs under any other contracts between the borrower and the lender or any agency of the lender, or if the guarantor breaches any covenants under the guarantee, or any event of default by the guarantor occurs under any other contracts between the guarantor and the lender or any agency of the lender, the lender is entitled to demand immediate repayment of the loan.	2,505,000	5.13–6.05%	2–12 years

HISTORY, REORGANIZATION AND GROUP STRUCTURE

<u>Type of Cross Default Provisions</u>	<u>Aggregate amount of loan agreements containing such type of cross default provisions ^(Note 1)</u> (RMB'000)	<u>Range of interest rates of loan agreements containing such type of cross default provisions</u>	<u>Term of loan agreements containing such type of cross default provisions</u>
If any event of default by the borrower such as delay in performance occurs during the performance of any other contracts made between the borrower and the lender and if such event of default is not rectified by the borrower after notice has been given by the lender, the lender is entitled to demand immediate repayment of the loan.	340,000	5.83–5.40%	2 years
The lender is entitled to demand immediate repayment of the loan under any of the following circumstances if the lender considers that the lender’s rights under this agreement may be jeopardised, namely: the borrower’s failure to pay any other debts when due (including debts in due which shall be paid to various branches of the lender or any other third party), the borrower transferring assets at undervalued prices or for free, the borrower exempting or reducing any other third party’s debts, the borrower delaying in exercising the lender’s right due or other rights, or the borrower providing a guarantee for any other third party.	320,000	5.04–5.40%	1–2 years
In the event that the borrower breaches any covenants under any other loan contracts or loan agreements which it has entered into, or the borrower fails to repay any amount due and payable under any other loan contracts or loan agreements which it has entered into, the lender is entitled to demand immediate repayment of the loan.	112,000	4.86%	3 years
In the event of the borrower’s failure to perform any or part of the obligations under other contracts between the borrower and the lender, which is deemed an event of default under the loan agreement, the lender is entitled to demand immediate repayment of the loan.	350,000	5.13–5.40%	2–3 years
Total aggregate amount of loan agreements containing such type of cross default provisions (RMB'000)	4,957,000		

Note:

(1) The aggregate amounts of the loan agreements stated herein reflect the outstanding amounts of the loan agreements as of September 30, 2009.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

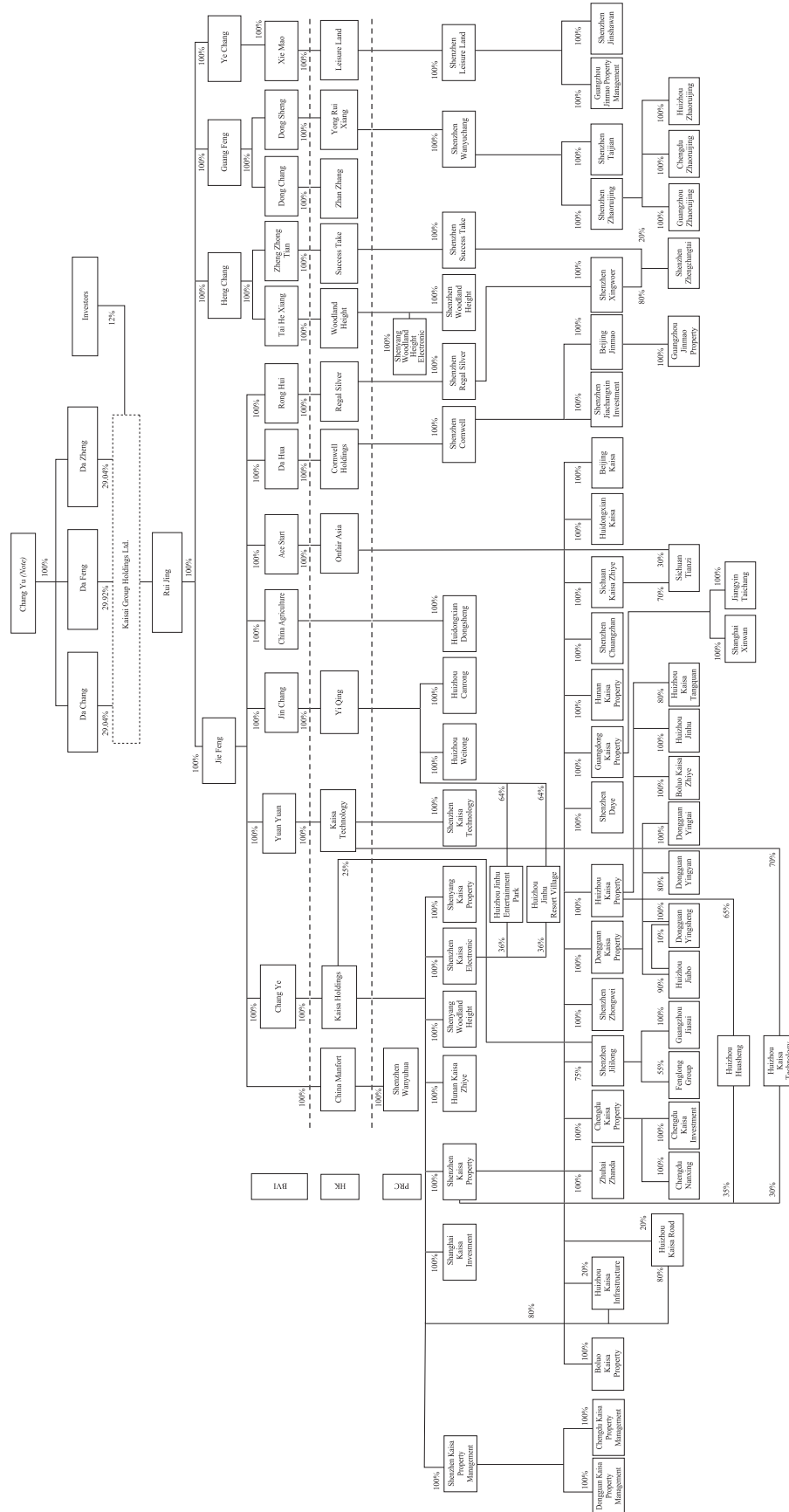
ESTABLISHMENT OF THE KWOK FAMILY TRUST

For the purpose of streamlining the control and shareholding interests beneficially owned by the Founding Shareholders in our Company, the Founding Shareholders have established the Kwok Family Trust pursuant to the Reorganization. The Kwok Family Trust was established as a discretionary trust by the Kwok Family as settlors on May 23, 2008 with an aim to vest all their equity interest in us into the trust. On May 23, 2008, the Kwok Family transferred the entire issued share capital of Chang Yu to Good Health Investments Limited which is owned as to 50% by Seletar Limited and as to 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries the Kwok Family Trust. To the best of the knowledge, information and belief of our Directors, Credit Suisse Trust Limited is independent from our Group and our connected persons. As at the date of this document, the beneficiaries of the Kwok Family Trust include the Kwok Family and their immediate family members including the spouse and children of each of Mr. Kwok Ying Shing, Mr. Kwok Ying Chi and Mr. Kwok Chun Wai who will be deemed to be acting in concert under the Takeovers Code and regarded as a controlling group of shareholders of the Company under the Listing Rules. As a discretionary trust, the benefit and entitlement of these beneficiaries in the Kwok Family Trust is not fixed and is subject to the absolute discretion of the Trustee in exercising its power to deal with the trust assets conferred on it under the Kwok Family Trust. These powers include, among others, the power to, pay and apply the trust funds, to add and exclude beneficiaries, to make investments, to make loans to beneficiaries and guarantee debts, in each case subject to the terms and conditions of the trust deed in connection with the Kwok Family Trust. The Kwok Family, together being the settlors, are also the first protectors of the Kwok Family Trust. As settlors and first protectors, among other things, they have the power to appoint an investment manager to manage the trust funds of the Kwok Family Trust.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

SHAREHOLDING STRUCTURE OF OUR GROUP

The shareholding structure of our Group immediately before exercise of the Warrants, completion of [●] is as follows (assuming the [●] is not exercised) and not taking account of any Shares which may be issued upon exercise of the options granted or to be granted under [●] or the Share Option Scheme):



Note: The entire equity of Chang Yu is held by Good Health Investments Limited which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of the Kwok Family Trust.