

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Web Proof Information Pack, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Web Proof Information Pack.

Web Proof Information Pack of



POWERLONG

宝龙

Powerlong Real Estate Holdings Limited

寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

This Web Proof Information Pack is being published as required by The Stock Exchange of Hong Kong Limited ("HKEx")/ the Securities and Futures Commission solely for the purpose of providing additional information to the public in Hong Kong. This Web Proof Information Pack supplements the Web Proof Information Pack published on September 21, 2009.

This Web Proof Information Pack is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this Web Proof Information Pack, you acknowledge, accept and agree with Powerlong Real Estate Holdings Limited (the "Company"), any of its sponsors, advisers and/or members of the underwriting syndicate that:

- (a) this Web Proof Information Pack is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this Web Proof Information Pack;
- (b) the posting of the Web Proof Information Pack or any supplemental, revised or replacement pages thereof on the website of HKEx does not give rise to any obligation of the Company, any of its sponsors, advisers and/or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of the Web Proof Information Pack or any supplemental, revised or replacement pages thereof may or may not be replicated in full or in part in the actual prospectus;
- (d) this Web Proof Information Pack may be updated or revised by the Company from time to time but neither the Company nor any of its affiliates, sponsors, advisors or members of the underwriting syndicate is under any obligation, legal or otherwise, to update any information contained in this Web Proof Information Pack;
- (e) this Web Proof Information Pack does not constitute a prospectus, notice, circular, brochure or advertisement or document offering to sell any securities to the public in any jurisdiction, nor is it an invitation or solicitation to the public to make offers to acquire, subscribe for or purchase any securities, nor is it calculated to invite or solicit offers by the public to acquire, subscribe for or purchase any securities;
- (f) this Web Proof Information Pack must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, sponsors, advisers or members of the underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this Web Proof Information Pack;
- (h) neither the Web Proof Information Pack nor anything contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever;
- (i) neither the Company nor any of its affiliates, sponsors, underwriters or advisers makes any express or implied representation or warranty as to the accuracy or completeness of the information contained in the Web Proof Information Pack;
- (j) each of the Company and its affiliates, sponsors, underwriters and advisers expressly disclaims any and all liability on the basis of any information contained in or omitted from, or any inaccuracies or errors in, the Web Proof Information Pack;
- (k) securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended (the "Securities Act") or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The securities referred to in this Web Proof Information Pack have not been registered under the Securities Act. The Company does not intend to register the securities under the Securities Act or conduct a public offering in the United States. This Web Proof Information Pack is not an offer of securities for sale in the United States. You confirm that you are accessing this Web Proof Information Pack from outside of the United States;
- (l) as there may be legal restrictions on the distribution of this Web Proof Information Pack or dissemination of any information contained in this Web Proof Information Pack, you agree to inform yourself about and observe any such restrictions applicable to you.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on a prospectus of the Company registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period. No offer or invitation to the public in Hong Kong will be made until after a prospectus of the Company is registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Cap 32).

CONTENTS

This Web Proof Information Pack contains the following information relating to the Company extracted from the draft document:

Summary

Definitions

Risk Factors

Directors

Corporate Information

Industry Overview

History, Reorganization and Corporate Structure

Business

Relationship with Our Controlling Shareholders

Connected Transactions

Directors, Senior Management and Employees

Substantial Shareholders

Share Capital

Financial Information

Future Plans

Appendix I — Accountants’ Report

Appendix IV — Property Valuation

Appendix V — Taxation

Appendix VI — Summary of the PRC Laws Relating to the Property Sector

**Appendix VII — Summary of the Constitution of the Company
and Cayman Islands Companies Law**

Appendix VIII — Statutory and General Information

YOU SHOULD READ THE SECTION HEADED “WARNING” ON THE COVER OF THIS INFORMATION PACK.

SUMMARY

OVERVIEW

We believe we are a leading commercial property developer in China specializing in the development and operation of high-quality, large-scale, multi-functional commercial complexes. Our existing property projects are generally located in prime positions close to the city center of fast-growing, emerging cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province and Anhui Province. We intend to expand our commercial property development operations predominantly to other second or third-tier cities in China with high growth potential. In 2006, 2007 and 2008, we were recognized as a top brand, among commercial and tourism related real estate brands, by China Real Estate Top 10 Research Group, based on a combination of factors, including our market position, brand recognition and customer satisfaction. We were named as one of the top 100 real estate enterprises in China in 2006, 2007, 2008 and 2009, by the same organization based on a range of factors such as total assets, total revenue, net profit and GFA completed and under development.

We believe we have a distinctive business model that sets us apart from most other property developers in China. We sell all residential properties and a portion of our commercial properties to generate cash flow for our business operations and retain ownership of a significant portion of our commercial properties for long-term investment to generate recurring rental income and realize potential capital appreciation, while most other real estate developers in China have focused on strata sale of properties they develop. We believe this business model allows us to diversify our revenue sources and reduce our reliance on a particular sector of the real estate market. We focus primarily on fast-growing, emerging cities in China, which enables us to acquire land at relatively low cost and avoid the high levels of competition prevalent in first-tier cities. During the Track Record Period, we designated all of our residential properties and approximately half of our commercial properties for sale and retained the remaining half of our commercial properties for investment purposes. Our policy going forward will generally continue to follow our current practice with respect to properties for sale and properties to be retained for investment, although we expect to retain a greater portion of our properties for investment in the future. This policy, however, is subject to our assessment from time to time of our overall financial condition, results of operations and cash flow requirements. We will also take into account the operation and management of the relevant commercial project, the attractiveness of the property to the market and overall market conditions when we decide whether to keep a particular commercial project and how much of our portfolio to keep as investment properties.

SUMMARY

As of June 30, 2009, we had a total of 17 property development projects at various stages of development in 14 cities in China as follows:

- *Completed properties.* We had completed four projects, of which three are located in Fujian Province and one is located in Henan Province, with a total GFA of 660,302 square meters, of which we currently hold a total GFA of 238,760 square meters available for lease.
- *Properties under development.* We had seven projects under development with a total GFA of 3,316,611 square meters, of which three are located in Jiangsu Province, two are located in Shandong Province, one is located in Henan Province and one is located in Anhui Province. We had completed construction of an aggregate of 538,675 square meters of GFA in various projects under development, with respect to which we are currently applying for the certificates of completion.
- *Properties held for future development.* We had six projects held for future development with a total GFA of 3,900,720 square meters, of which three are located in Jiangsu Province, two are located in Shandong Province and one is located in Henan Province.

We hold a 100% equity interest in all the above projects except for Wuxi Powerlong City Plaza, in which we hold an 80% interest. Of the 7,217,331 square meters of GFA under development and held for future development as of June 30, 2009, an estimated total GFA of approximately 3,861,621 square meters related to residential properties, and an estimated total GFA of 3,355,710 square meters related to commercial properties.

We focus on the development and operation of large-scale commercial complexes and therefore, the acquisition of land at competitive prices and in the right locations is critical to our overall development strategy. As of June 30, 2009, we had properties under development with a total site area of 1,525,474 square meters in Suzhou City and Wuxi City in Jiangsu Province, Qingdao City and Tai'an City in Shandong Province, Luoyang City in Henan Province as well as Bengbu City in Anhui Province. As of the same date, we also had properties held for future development with a total site area of 1,786,885 square meters in Suqian City, Yancheng City and Changzhou City in Jiangsu Province, Qingdao City and Yantai City in Shandong Province as well as Xinxiang City in Henan Province. We continually search for development sites that meet our selection criteria and plan to maintain our land reserves at levels sufficient to support our operations for three years on a rolling basis. We typically finance our land acquisition costs with cash generated internally from our operations and bank borrowings. However, as we grow larger and gain more access to capital markets, we may also finance our land acquisition costs with other debt or equity instruments.

We believe our products are competitive in the PRC real estate market. Our property development projects typically comprise large-scale commercial complexes and residential properties in 2nd or 3rd tier cities. Our property developments are among the largest integrated commercial projects in the cities where they are located and typically have a total GFA ranging between 200,000 to 500,000 square meters each. Our “Powerlong City Plazas” are integrated commercial-residential complexes and typically include the following categories of properties:

- large-scale commercial premises that contain supermarkets, department stores, retail shops, cinemas, food courts and other recreational facilities; and

SUMMARY

- quality residential properties with low- and/or high-rise apartment buildings, residential suites and villas.

Depending on the location of our projects and market demand, our future commercial complex projects may also include the following categories of properties:

- high-quality hotels managed by internationally recognized hotel management companies; and
- large-scale indoor amusement parks.

We are currently developing three high-quality hotels as part of our project developments in Suzhou City, Qingdao City and Tai'an City and have engaged a subsidiary of Starwood Hotels Resorts Worldwide Inc. to manage these hotels.

The total GFA of properties we delivered during the Track Record Period was 75,039 square meters in 2006, 129,947 square meters in 2007, 287,274 square meters in 2008 and 179,805 square meters in the six months ended June 30, 2009. For 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 402.8 million, Rmb 1,025.8 million, Rmb 1,583.8 million and Rmb 1,294.3 million, respectively, and our profit attributable to our equity holders was Rmb 117.4 million, Rmb 603.3 million, Rmb 932.7 million and Rmb 330.1 million, respectively. Our revenues fluctuated during the Track Record Period largely because our total GFA delivered varied from period to period as we did not recognize revenue until we completed and delivered our properties. We typically develop our properties in phases, but a large-scale development project may take up to two years to complete. Our results of operations are limited by the number of properties that we can develop or complete during any particular period as a result of the substantial capital requirements for land acquisition and project construction, limited land supplies and lengthy development periods. For example, our ability to obtain land reserves and raise capital to finance our property development is affected by factors such as the prevailing macro-economic conditions and PRC regulatory environment. If we experience an economic downturn similar to the recent global financial crisis or if the PRC government tightens its regulatory policies in relation to the property development industry, our property development activities may be adversely impacted, which may also have a flow-on effect on our cash flow and results of operations. In addition, as most of our property projects typically take a number of months to reach pre-sale status from the commencement of construction, we do not receive cash flows from pre-sales until a few months after construction begins with respect to a property.

We maintain a certain level of indebtedness to finance our property development operations. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate outstanding bank borrowings was Rmb 129.0 million, Rmb 760.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively. In addition to our total indebtedness described above, we had outstanding guarantees in respect of our customers' mortgage loans amounting to approximately Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. In addition, we also issued debt securities during the Track Record Period to raise additional financing. For more information, see the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document. We had total outstanding Secured Bonds and Secured Notes of Rmb 415.0 million as of June 30, 2009. The interest payable on the Secured Bonds and Secured Notes expected to be accrued up to the Latest Practicable Date is approximately Rmb 43.7 million. During the Track Record Period, our net cash inflow

SUMMARY

from operating activities was Rmb 490.9 million, Rmb 1,047.4 million, Rmb 131.3 million and Rmb 335.0 million, respectively. As of June 30, 2009, our cash and cash equivalents was Rmb 272.2 million. Our ability to finance our indebtedness and maintain a healthy level of cash inflow may be affected by various factors, including those discussed under the section entitled "Risk Factors" in this document.

We incurred a substantial amount of interest expenses in relation to our bank borrowings, Convertible Bonds and Secured Notes, as well as Secured Bonds and Secured Notes during the Track Record Period and we capitalized a large portion of these interest expenses. In particular, we incurred a total interest expense of Rmb 329.6 million in relation to our Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes during the Track Record Period, of which Rmb 294.6 million had been capitalized. These capitalized interest expenses were recorded as part the development costs of the properties held for development in Suqian, Yantai, Xinxiang, Yancheng, Licang and Changzhou which we acquired using the proceeds from the issuance of the Convertible Bonds and Secured Notes. These capitalized interest expenses had no impact on our financial position during the Track Record Period as they were not capitalized under properties which we delivered or expect to deliver in 2009. Going forward, we expect to recognize such capitalized interest expenses as cost of sales progressively according to our project completion and delivery schedule. We do not expect these capitalized interest expenses to have any material adverse impact on our gross profit margin or financial position.

We typically arrange for various banks to provide mortgage facilities to purchasers of our properties who require mortgage loans and are required to provide guarantees to these banks up to the time of delivery of properties in respect of mortgages offered to our customers. We had outstanding guarantees in respect of our customers' mortgage loans amounting to approximately Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. However, we did not encounter any mortgage loan default by customers with respect to which we were required by mortgagee banks to honor our guarantee obligations. We intend to retain an increasing portion of our commercial properties for recurring rental income and/or for capital appreciation and to sell our residential properties for cash flow. As a result, our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment or if we sell fewer properties. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from sales of properties amounted to Rmb 399.3 million, Rmb 982.7 million, Rmb 1,511.8 million and Rmb 1,255.6 million, respectively, representing approximately 99.1%, 95.8%, 95.5% and 97.0%, respectively, of our total revenue. As of June 30, 2009, we had pre-sold a total GFA of 407,028 square meters in respect of our properties under development. We started to lease out our investment properties in December 2006. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had leased out a total GFA of 6,436 square meters, 95,585 square meters, 104,875 square meters and 113,348 square meters, respectively. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our rental income amounted to Rmb 0.2 million, Rmb 32.2 million, Rmb 53.3 million and Rmb 28.4 million, respectively, representing approximately 0.1%, 3.1%, 3.4% and 2.2%, respectively, of our total revenue.

Our investment properties are subject to revaluation as of each balance sheet date and therefore, gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated statement of comprehensive income, which may have a substantial effect on our results. Our completed investment properties had a fair value of Rmb 144.0 million, Rmb 1,073.0 million, Rmb 2,173.0 million and Rmb 2,168.9 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, generating a fair value gain of Rmb 121.1 million, Rmb 533.0 million, Rmb 856.0

SUMMARY

million and Rmb 2.4 million for 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, the after tax impact of which represented approximately 66.0%, 65.9%, 68.5% and 0.5% of our profit for the year in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Our independent property valuer used the investment method to value our completed investment properties because such method reflected the value of the property during the lease period of the property. The completed investment properties we held as of June 30, 2009 were located in Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza. Of our top 10 tenants in terms of space occupied in our investment properties as of June 30, 2009, two were companies controlled by our Controlling Shareholders. In 2007 and 2008 and the six months ended June 30, 2009, our rental income attributable to tenants controlled by our Controlling Shareholders was approximately Rmb 15.1 million, Rmb 16.9 million and Rmb 2.1 million, respectively, which represented 46.9%, 31.7% and 7.6%, respectively, of our total rental income in the same periods. We expect our rental income attributable to tenants controlled by our Controlling Shareholders to be approximately Rmb 13.5 million in 2009, representing 16.4% of our expected total rental income in 2009.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following principal strengths enabling us to compete in the property markets in China:

- Distinctive “Powerlong” business model
- Sizable land reserves acquired at relatively low cost
- Well-recognized brand name and established reputation
- Long-term strategic partnerships with domestic and international brands
- Experienced and stable management team equipped with an integrated project development and management system

You can find more detailed discussions of these competitive strengths in the section entitled “Business — Our Competitive Strengths” in this document.

OUR BUSINESS STRATEGIES

Our principal business strategies are:

- Continue to leverage upon our successful “Powerlong” business model in fast-growing cities across China
- Continue to design products that meet future city development plans and build up our land reserves in a prudent manner
- Continue to develop and strengthen long-term strategic relationships with domestic and international brands
- Continue to enhance our brand name recognition
- Continue to optimize tenant mix and increase recurring rental income

SUMMARY

- Standardize our project development and management model to achieve sustainable growth and operational expansion

You can find more detailed discussions of our principal strategies in the section entitled “Business — Our Business Strategies” in this document.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables summarize our consolidated financial information during the Track Record Period. The summary of consolidated balance sheets data as of December 31, 2006, 2007 and 2008 and June 30, 2009 and the summary of consolidated statement of comprehensive income data and the summary of consolidated cash flow statements data for the three year ended December 31, 2006, 2007 and 2008 and each of the six months ended June 30, 2008 and 2009 included in the following tables are derived from, and should be read in conjunction with, our consolidated financial information included in the Accountants’ Report contained in Appendix I to this document.

SUMMARY

Summary Consolidated Statement of Comprehensive Income Data

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(unaudited)				
	(Rmb in millions, except per share data)				
Revenue	402.8	1,025.8	1,583.8	675.1	1,294.3
Cost of sales	(196.4)	(412.9)	(869.1)	(408.4)	(609.3)
Gross profit	206.4	612.9	714.7	266.7	685.0
Fair value gains on investment properties	121.1	533.0	856.0	12.0	2.4
Selling and marketing costs	(21.8)	(57.9)	(60.9)	(22.1)	(26.3)
Administrative expenses	(53.0)	(50.8)	(140.9)	(67.2)	(75.9)
Other gain and losses (net)	—	(5.7)	(37.8)	(9.4)	0.5
Operating profit	252.7	1,031.5	1,331.1	180.0	585.7
Fair value losses on embedded financial derivatives	—	—	(14.8)	(14.8)	—
Finance costs	—	(3.4)	(33.7)	(31.3)	(2.7)
Profit before taxation	252.7	1,028.1	1,282.6	133.8	583.0
Income tax	(129.7)	(421.4)	(345.3)	(79.4)	(254.4)
Profit for the year/period	123.0	606.7	937.3	54.4	328.6
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	123.0	606.7	937.3	54.4	328.6
Attributable to:					
Owners of the Company	117.4	603.3	932.7	55.7	330.1
Minority interests	5.6	3.4	4.6	(1.2)	(1.5)
	123.0	606.7	937.3	54.4	328.6
Basic and diluted earnings per Share for profit attributable to our shareholders during the year (expressed in Rmb per share) . . .	Not applicable	Not applicable	0.31	0.02	0.11
Dividend	—	32.9	—	—	—

SUMMARY

Summary Consolidated Balance Sheets Data

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(Rmb in millions)			
Total Assets				
Non-current assets	1,333.4	2,909.6	3,694.9	3,735.7
Current assets	2,058.7	3,363.9	4,876.1	5,368.7
Total assets	3,392.1	6,273.5	8,571.0	9,104.4
Equity and Liabilities				
Non-current liabilities	139.0	881.4	915.0	671.8
Current liabilities	2,508.8	4,306.8	5,612.6	6,060.5
Total liabilities	2,647.8	5,188.2	6,527.5	6,732.3
Total equity	744.3	1,085.3	2,043.5	2,372.0
Total Equity and Liabilities	3,392.1	6,273.5	8,571.0	9,104.4

Summary Consolidated Cash Flow Statements Data

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(unaudited)				
	(Rmb in millions)				
Net cash inflow/(outflow) from operating activities	490.9	1,047.4	131.3	(99.1)	335.0
Net cash outflow from investing activities	(1,084.2)	(1,833.9)	(1,850.2)	(1,066.9)	(448.9)
Net cash inflow from financing activities	608.1	1,907.4	772.7	352.1	177.3
Effect of foreign exchange rate changes	—	(6.9)	(11.0)	(9.4)	3.6
Cash and cash equivalents at end of the year/period	48.5	1,162.6	205.3	339.2	272.2

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

	<u>Year Ending</u> <u>December 31,</u> <u>2009</u>
	<u>(Rmb in</u> <u>millions)</u>
Forecast consolidated profit attributable to our equity holders before revaluation	
of investment properties	1,220.6
Revaluation increase on investment properties (net of deferred tax effect)	1,817.9
 Forecast consolidated profit attributable to our equity holders after revaluation of	
investment properties	<u>3,038.5</u>

We have prepared our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2009 based on our audited consolidated results for the six months ended June 30, 2009 and unaudited consolidated results from our management accounts for the two months ended August 31, 2009 and our forecast of the consolidated results for the four months ending December 31, 2009. Our profit forecast has been presented on a basis consistent in all material respects with the accounting policies normally adopted by us as summarized in the Accountants' Report contained in Appendix I to this prospectus. We have made the following principal assumptions in the preparation of our profit forecast:

- There will be no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which we currently operate or which are otherwise material to our income.
- There will be no changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which we operate or have arrangements or agreements (including, but not limited to, those in relation to land acquisition, property development and taxation of sales income derived therefrom), which may adversely affect our business or operations. Further, with respect to the real estate industry in particular, the PRC government will not impose material changes, or impose additional austerity measures, to dampen the sales of properties and prices of properties. Land use rights certificates, construction land planning permits, pre-sale permits, construction works planning permits and construction permits related to properties under development will be granted to us before the commencement of sale of each related project.
- There will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the countries or territories in which we operate.
- There will be no material changes in interest rates from those currently prevailing as at the date of this prospectus.
- Our operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

SUMMARY

- Our operations and financial performance will not be materially and adversely impacted by any of the risk factors set forth in the section entitled “Risk Factors” in this prospectus.
- Major contracts for the sales and leases of properties and letter of intent for leases entered will not be cancelled. Our properties are developed in accordance with management’s plans and are not substantial variations of construction costs from budgeted amount. There are no substantial changes in development schedule due to relocation and PRC government approvals and completion of works by our contractors.
- We can continue to use current approved or applicable tax collection methods during the forecast period.
- Specific assumptions in respect of investment property valuation:
 - (i) the current financial, economic and political conditions which prevail in the PRC and in the neighboring cities/provinces and which are material to the rental income generated by the investment properties are expected to remain unchanged;
 - (ii) the conditions under which the investment properties are being operated and which are material to the revenue and costs of the properties will be unchanged;
 - (iii) property-specific factors such as the building facilities provision, building specification, ventilation system, ancillary supporting retail services, quality of property management and tenant’s profile will remain unchanged; and
 - (iv) the leases of any lease-expired units of the properties will be renewed on normal commercial terms. Such specific assumptions are consistent with the approach undertaken by Savills, an independent valuer, in the Property Valuation Report contained in Appendix IV to this prospectus.

SUMMARY

Properties Completed in 2008 and Properties Under Development Expected to be Completed in 2009

The table below sets forth the total contracted sales we achieved as of August 31, 2009, total GFA to be delivered by the end of 2009 for each project and average selling price information.

	Total contracted sales as of August 31, 2009⁽¹⁾	GFA delivered/ expected to be delivered by the end of 2009⁽²⁾	Average selling price per square meter in respect of properties pre- sold in 2008	Average selling price per square meter in respect of properties pre- sold in the eight months ended August 31, 2009	Actual/expected completion date⁽³⁾
	(Rmb in thousands)	(sq.m.)	(Rmb/ per sq.m.)	(Rmb/ per sq.m.)	
<u>Properties under development as of August 31, 2009</u>					
<u>Luoyang Powerlong City Plaza</u>					
Residential	244,191	90,326	2,643	2,604	Oct 09
Commercial	366,321	67,732	4,053	5,007	Sep 09
<u>Wuxi Yuqi Powerlong Riverside Garden</u>					
Residential	198,994	61,833	3,342	2,955	Sep 09
Commercial	111,053	17,419	6,370	6,566	Sep 09
<u>Qingdao Powerlong City Plaza</u>					
Residential	45,852	9,722	4,597	4,696	Sep 09
Commercial	311,564	24,466	9,298	11,738	Sep 09
<u>Tai'an Powerlong City Plaza</u>					
Residential	173,061	39,207	4,390	3,710	Sep 09
Commercial	86,669	13,397	6,230	6,218	Oct 09
<u>Bengbu Powerlong City Plaza</u>					
Residential	2,951	1,378	4,151	2,907	Jan 09
Commercial	118,205	13,239	8,942	8,884	Jan/Oct 09
<u>Completed properties as of August 31, 2009</u>					
<u>Zhengzhou Powerlong City Plaza</u>					
Commercial	76,189	5,773	13,839	10,185	Dec 08
<u>Taicang Powerlong City Plaza</u>					
Commercial	18,000	5,138	3,727	3,543	Feb 08
<u>Wuxi Powerlong City Plaza</u>					
Commercial	5,150	221	17,703	12,415	Oct 08
<u>Total</u>					
Residential	665,049	202,466	3,833	3,512	
Commercial	1,093,151	147,385	8,133	9,488	

Notes:

- (1) Represents only the total contracted sales of properties delivered or expected to be delivered by the end of 2009.
- (2) Represents only contracted sales up to August 31, 2009.
- (3) Represents only the completion date with respect to the GFA to be completed in 2009.

SUMMARY

As of the Latest Practicable Date, the construction progress with respect to the GFA to be completed in 2009 was as follows:

- Luoyang Powerlong City Plaza. We had completed all construction and decoration work and we are currently preparing to undertake the completion acceptance inspections. We expect to deliver all completed properties by the end of October 2009.
- Wuxi Yuqi Powerlong Riverside Garden. We had completed the structural construction of all buildings and had started to deliver properties to customers in sections A and B as of the end of August 2009. We had completed approximately 95% of all installation work and 80% of all exterior construction work in sections C and D. According to our construction schedule, we plan to complete the project and deliver all completed properties by the end of September 2009.
- Qingdao Powerlong City Plaza. We had completed the construction of all buildings in the northern and western sectors of the residential portion of the project and had delivered the properties to customers. For the commercial portion of the project, section A had opened for business. This includes both properties which we have sold and leased out. We had completed the interior decoration and equipment installation work in sections B, E and F. According to our construction schedule, we plan to complete these sections and deliver all completed properties by the end of September 2009.
- Tai'an Powerlong City Plaza. We had completed the construction and decoration work of all buildings in Phase I and had delivered the completed properties to customers. We had completed approximately 70% of the interior fine decoration work of all the buildings in Phase II. According to our construction schedule, with the exception of the Tai'an Hotel, we expect to complete Phase II and deliver all completed properties by the end of October 2009.
- Bengbu Powerlong City Plaza. We had completed the construction of all buildings in Phase I and had delivered the completed properties to customers. We had sealed the roofs of all buildings, completed all construction work in relation to the roofs, including tiling and insulation, as well as approximately 80% of the exterior wall construction work, all decoration work and approximately 80% of the interior plastering work in section A of Phase II. According to our construction schedule, we expect to complete and deliver all completed properties in section A by the end of October 2009. Section A is a standalone building in Phase II.

Marketing Strategies for Properties to be Completed and Delivered in 2009

Based on our past sales and marketing track record, we believe that the period from September to the end of the year is traditionally peak sales season for our properties. Accordingly, we have increased our media exposure and advertisement campaigns during this period, especially to coincide these campaigns with public holidays in the PRC, such as National Day and Mid-Autumn Festival, to increase public awareness of our products and encourage

SUMMARY

sales. We believe this will also help us to secure sales of large shops with attractive locations within our commercial properties during the period when they first open for business. We have implemented the following sales strategies in order to meet our sales target in 2009:

- Promote the sale of large shops with attractive locations within our commercial properties during the period when they are first open for business to secure anchor tenants and attract smaller retail customers.
- As our property projects are located in second and third-tier emerging cities, we have increased our promotional activities in surrounding cities and towns to attract potential buyers.
- Focus our promotional efforts on customers with strong purchasing powers based on our past sales experience by conducting face-to-face customer visits and organizing customer social events. We notice that such personal sales approach has been effective and has helped to reduce our advertising costs.
- Continue to implement measures and providing incentives to encourage existing customers to introduce new customers to our properties.
- Enhance our brand recognition by continuing to conduct advertisement in newspapers, pamphlets, on buses and at bus stops, through mobile text messages and direct mailing, as well as organizing road shows to promote our properties.
- Organize groups of potential customers and members from various media outlets for on-site visits to our first commercial complex, Fuzhou Powerlong City Plaza, which has been in operation for two years, to showcase our commercial properties to them, and to enhance customer confidence and promote sales.

In the past eight months since the beginning of 2009, we had exceeded contracted sales of Rmb 200.0 million per month in three of these months. Our contracted sales based on sales and purchase agreements entered into amounted to Rmb 221.2 million in August 2009, of which Rmb 164.7 million is expected to be recognized as revenue in 2009 as the properties are delivered.

According to our historical sales statistics, we achieved contracted sales of Rmb 1,191.7 million in the five-month period between September 2007 and January 2008. More recently, we achieved contracted sales of Rmb 930.5 million in the five-month period between September 2008 and January 2009.

For the four projects which are expected to have material contribution to our sales in 2009, we have also undertaken certain specific measures to stimulate customer interest and promote sales as set forth below.

Qingdao Powerlong City Plaza

- We expect to leverage on the significant amount of media exposure which Qingdao Powerlong City Plaza is expected to receive before its opening by highlighting the indoor amusement park, the department store and other retails shops surrounding them to potential customers.

SUMMARY

- We plan to organize promotional events during the public holiday period and invite potential customers to our amusement park for site visits to strengthen their impression of our properties.
- In January 2009, we launched a customer referral program that was designed to provide incentives to our existing customers and encourage them to introduce new customers to our properties. Since its launch, this program has been well received and a sizeable proportion of our contracted sales can be attributable to such referrals.
- We have established good working relationships with branch companies of E-House, one of the largest real estate agency and consulting firms in the PRC and a listed company on the New York Stock Exchange, to help enhance the sales and marketing of our properties. According to the performance targets we have agreed with E-House, E-House is expected to achieve approximately Rmb 1,000.0 million in sales for the period from November 2008 to November 2009, As of August 31, 2009, it had already achieved Rmb 616.4 million in sales.
- The indoor amusement park in Qingdao Powerlong City Plaza is expected to be one of the largest indoor amusement parks in the PRC once it is open for business at the end of September 2009. We expect it to be a major attraction in Qingdao City and draw a large number of visitors to Qingdao City, which in turn will help to promote our properties as a whole and encourage sales.
- We have started advertising campaigns in some of the most highly circulated newspapers in Qingdao City, including Qingdao Morning Paper and Qingdao Evening Paper to effectively increase customer awareness and media exposure of our properties.

Zhengzhou Powerlong City Plaza

- We intend to coincide the opening of the commercial properties with the PRC National Day celebrations to increase media exposure and generate interest.
- We launched a series of promotional activities for the housing exhibition in September 2009, which we believe have already helped us to attract potential home buyers.
- The completion of a major road connecting the city center to Zhengzhou Powerlong City Plaza in October 2009 is expected to improve the accessibility of our project, which will help to increase the customer awareness of our project.

Bengbu Powerlong City Plaza

- Since January 2009, we have used several media channels, including newspaper advertisements and television commercials, to market our property and increase customer awareness. In the months leading up to the opening of our commercial properties at the end of 2009, we have increased such promotional activities and have also supplemented these activities with on-site marketing events. We actively invite our target customers to these marketing events and use the opportunity to showcase our properties to them.

SUMMARY

- We have also widened the geographical scope of our marketing activities into the suburban areas surrounding Bengbu City, particularly Fengyuan and Huaiyuan districts, where there are a high concentration of mining companies. We understand that executives of these mining companies generally have a relatively strong purchasing power and we have therefore started to target these executives as potential customers. In that regard, we have liaised with the local mining industry association and financial institutions as well as adopted a personalized marketing strategy to reach out to these executives. Under this marketing strategy, we conduct face-to-face visits with our target customers and invite them to small group receptions which we use to market our properties. As a result of this marketing strategy, we have concluded a sizeable number of sales with these target customers.
- We have also implemented a phased sales strategy where we promote certain lower-priced properties to generate broad-based interest in our project and create sales momentum. We have begun to selectively sell our higher-priced properties as demand for our properties increases. We have noticed that this phased sales strategy has improved the sales progress of the entire project.

Luoyang Powerlong City Plaza

- We plan to take advantage of the opening of the wholesale market at the end of September 2009 to promote the sales of the ground floor of the wholesale market and the remaining residential properties.
- From our primary research, we understand that the purchasing power of the population in the areas surrounding Luoyang City is relatively high. Accordingly, we have set up marketing booths in seven different locations around Luoyang City to promote our properties and we have attracted a large number of customers from these areas using this approach.
- Our contracted sales in 2009 have been relatively stable. In the eight months ended August 31, 2009, our accumulated contracted sales for the period amounted to approximately Rmb 161.6 million and our average monthly contracted sales was approximately Rmb 20.2 million. During the same period, we received expressions of interest from potential customers in relation to the purchase of our properties. We intend to follow up closely with these customers to facilitate sales.
- We understand that the local government intends to construct a new bus station near Luoyang Powerlong City Plaza. In addition, a recently completed high-speed railway station in the vicinity is expected to become operational in 2010. We believe that these new infrastructures will help to increase the commercial value of our project, which in turn will enhance customer flow and promote sales.

SUMMARY

Investment Properties

The investment properties were valued as of June 30, 2009 by Savills.

Savills has adopted the investment approach to assess the market value of investment properties. Pursuant to the investment approach, the market value of a property is assessed by adding the estimated value of (i) the term interest of the property subject to contractual tenancies; and (ii) the reversionary interest of the property. The estimated value of the term interest is derived by capitalizing a property's contractual rental income for the relevant period as of the valuation date. The estimated value of the reversionary interest is derived by capitalizing the property's estimated market rental for the rest of its unexpired land use terms after the end of the terms of the relevant leases.

Savills has also employed the direct comparison method as a cross check to the market value as derived from the investment approach. Under the direct comparison approach, reference is made to recent comparable sale transactions with adjustments made for size, location, time amenities and other relevant factors when comparing such sales against the investment properties.

As confirmed by Savills, the valuation methods it adopted are consistent with that adopted in valuing our investment properties in the Track Record Period.

We arrived at the estimated fair value gain on investment properties based on the market values of such investment properties as of June 30, 2009; and made reference to the anticipated property-specific market trends of each of such investment properties carried out by Savills. The anticipated property-specific market trends are in line with the average of the range of performance expectations indicated in JLL's analysis of commercial property market trends.

A large portion of the forecast valuation gains on investment properties for the year ending December 31, 2009 are attributable to the revaluation of the investment properties currently under development. Only a small portion of the forecast valuation gains is attributable to our existing investment properties, namely, Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Phase I of Bengbu Powerlong City Plaza.

In calculating our forecast profit, we have taken into account fair value gains of Rmb 2,421.4 million (before deferred tax on the gain) for the period from July 1, 2009 to December 31, 2009. HKFRS requires changes in fair values of investment properties to be accounted for in the consolidated statement of comprehensive income. Our total forecast fair value gains consist of two components: (i) forecast fair value gains of Rmb 57.7 million in relation to our existing completed investment properties; and (ii) forecast fair value gains of Rmb 2,363.7 million in relation to our investment properties currently under development that are expected to be completed in 2009.

SUMMARY

Fair value gains on existing completed investment properties

The table below sets forth the fair value gains of our existing investment properties.

	<u>GFA retained for investment</u> (sq.m.)	<u>Actual book value as of June 30, 2009</u>	<u>Forecast fair value as of December 31, 2009</u>	<u>Pre-tax fair value gains for the six months ending December 31, 2009</u>
		(Rmb in millions)		
Fuzhou Powerlong City Plaza	94,835	974.0	990.0	16.0
Zhengzhou Powerlong City Plaza	88,359	1,071.5	1,108.6	37.1
Bengbu Powerlong City Plaza Phase I	21,828	123.4	128.0	4.6
Total	205,022	2,168.9	2,226.6	57.7

Almost all of our investment properties are commercial properties. Due to the nature of commercial properties, movement in the selling price, which is often the most important factor in the valuation of residential properties, is not as significant in determining the valuation of our investment properties. With regard to Fuzhou Powerlong City Plaza and Zhengzhou Powerlong City Plaza, we believe the increase in their valuation is primarily due to the following factors:

- location in an emerging commercial district with growth potential. As the surrounding areas become more established with improved public infrastructure and transportation networks, Zhengzhou Powerlong City Plaza will become more accessible with increased customer flow to the district;
- increased purchasing power of local consumers. We expect the purchasing power of local consumers to increase as a result of recent strong economic growth in these cities; and
- as Fuzhou Powerlong City Plaza and Zhengzhou Powerlong City Plaza become more mature with enhanced brand recognition and corporate image, we believe we will be able to retain reputable anchor tenants and strengthen our bargaining position in respect of rental income.

Fair value gains on investment properties under development expected to be completed in 2009

The properties that are being constructed for investment purposes are classified as investment properties under development. If the fair values cannot be readily and reliably determined, they will be measured at cost until the fair values can be determined or construction is completed. We have concluded that the fair value of our investment properties under development cannot be determined at a reasonably accurate level prior to their completion. Therefore, our investment properties under development will continue to be measured at cost until the construction is completed. Completed investment properties are carried at fair value with the differences between their fair value and the book value being recognized in the consolidated statement of comprehensive income. All our investment properties under

SUMMARY

development are to be operated as shopping malls, except for Luoyang Powerlong City Plaza, which is planned to be developed into a wholesale market and Wuxi Yuqi Powerlong Riverside Garden, which is planned to be developed into retail shops within a residential community.

The following table sets forth the fair value gains of investment properties under development expected to be completed by December 31, 2009.

	<u>GFA of investment properties to be completed by December 31, 2009</u>	<u>Valuations by Savills as of June 30, 2009</u>		<u>Actual book value as of June 30, 2009</u>	<u>Forecast book value as of December 31, 2009</u>	<u>Forecast fair value as of December 31, 2009</u>	<u>Pre-tax fair value gains for the six months ending December 31, 2009</u>
	<u>(sq.m.)</u>	<u>Value of investment properties</u>	<u>Value per sq.m.</u>				
		<u>(Rmb in millions)</u>	<u>(Rmb/sq.m.)</u>		<u>(Rmb in millions)</u>		
Bengbu Powerlong							
City Plaza							
Section A of							
Phase II	85,027	663.6	7,805	172.1	233.4	665.0	431.6
Luoyang Powerlong							
City Plaza	63,200	265.0	4,193	124.0	133.5	266.0	132.5
Qingdao Powerlong							
City Plaza	127,106	1,783.0	14,028	247.7	367.9	1,790.0	1,422.1
Tai'an Powerlong							
City Plaza	56,331	480.0	8,521	111.4	145.2	481.0	335.8
Wuxi Yuqi Powerlong							
Riverside Garden.	8,087	60.4	7,469	16.8	19.4	61.1	41.7
Total	339,751	3,252.0	9,572	672.0	899.4	3,263.1	2,363.7

The pre-tax fair value gains of Qingdao Powerlong City Plaza are expected to be Rmb 1,422.1 million for the six months ending December 31, 2009, which are relatively larger than the pre-tax fair value gains of our other investment properties currently under development. Qingdao is the largest city in Shandong Province in terms of GDP, therefore we believe consumers in Qingdao are likely to have a stronger purchasing power. Furthermore, the area in which Qingdao Powerlong City Plaza is located is expected to be developed by the local government into a new commercial district in the near future.

SUMMARY

The following table sets forth, with respect to our completed investment properties and investment properties under development (i) the date on which we acquired the land and the relevant land use rights; (ii) construction commencement date; and (iii) estimated or actual construction completion date.

<u>Investment properties</u>	<u>Date of acquisition of land</u>	<u>Land use rights certificate obtained</u>	<u>Construction commencement date</u>	<u>Earliest construction completion date⁽¹⁾</u>
Fuzhou Powerlong City Plaza	Sep 2003	Sep 2004	Nov 2004	Nov 2006
Zhengzhou Powerlong City Plaza	Mar 2005	Apr 2006	Jul 2006	Dec 2008
Bengbu Powerlong City Plaza	Dec 2005	Jun 2006	Sep 2006	Dec 2008/ Oct 2009 ⁽²⁾
Luoyang Powerlong City Plaza	Feb 2006	Aug 2006	Nov 2006	Sep 2009
Qingdao Powerlong City Plaza	Jul 2006	Sep 2006	Apr 2007	Sep 2009
Tai'an Powerlong City Plaza	Jul 2006	Jul 2006	Nov 2006	Oct 2009
Wuxi Yuqi Powerlong Riverside Garden	Dec 2006	May 2007	Oct 2007	Sep 2009

Notes:

- (1) Represents only the expected completion date with respect to the GFA completed/to be completed before December 31, 2009.
- (2) Represents the actual construction completion date for Phase I and the estimated earliest construction completion date for section A of Phase II, respectively.

The construction of our investment properties typically involves the following steps: (i) preliminary planning and design work which takes between three to four months; (ii) building foundation work which takes between three to four months; (iii) main structural construction work which takes between four to five months; and (iv) interior decoration and installation of equipment and facilities which takes approximately four months. Once all construction and decoration work have been completed, it normally takes a month for the properties to pass the completion acceptance inspections.

We adjusted our construction schedule last year due to the general global economic conditions. Our Directors confirm that the current construction progress of the above projects are in accordance with our latest project development plans and we expect to complete the construction on time, absent any unforeseeable adverse event. With the exception of a portion of Bengbu Powerlong City Plaza and a portion of Qingdao Powerlong City Plaza, we expect all remaining construction and decoration work of each of the investment properties currently under development to be completed in 2009.

Our Directors have consulted Savills in making a forecast of the likely valuations of the investment properties as of December 31, 2009. Savills has estimated the market rents that would be achievable in each of the properties as of June 30, 2009, assuming the properties had been completed and in operation. For the purposes of deriving forecasted values on such properties, our Directors have made an estimation on the change of the market rents over the course of 2009. In arriving at these percentage growth estimates, our Directors have made reference to the market research report prepared by JLL and the forecast rental changes provided by Savills for each city in which the properties are located. JLL is a reputable and leading property and corporate facility management services provider in the world with 225

SUMMARY

years of industry experience in property market research consulting. JLL is independent of us and is named as an expert in "Statutory and General Information — 9. Qualifications of Experts" in Appendix VIII to the prospectus.

Due to the volatile PRC property market in previous years, our Directors have then made a conservative estimation and have assumed in the forecast valuation that the change in market rents till the end of 2009 will be at 0%. The range of market rents and weighted average for each of the properties and the adopted growth rates are shown in the table below. Our Directors have also confirmed that the aforesaid assumptions adopted in the valuation are consistent with our planned business strategy on property leasing.

The range of market rents and weighted average for each of the properties and the estimated growth rates adopted in the forecast valuation are shown in the table below.

Investment properties	Valuation by Savills as of June 30, 2009	Actual book value as of June 30, 2009	Range of monthly market rents adopted by Savills as of June 30, 2009 ⁽¹⁾	Average monthly market rents weighted by area as of June 30, 2009	Forecast growth in rents for the second half of 2009 prepared by Savills	Estimated growth in rents for the second half of 2009 adopted in the forecast valuation	Forecast average monthly market rents weighted by area as of December 31, 2009	Forecast valuation by Savills as of December 31, 2009
	(Rmb in millions)	(Rmb in millions)	(Rmb/sq.m. per month)	(Rmb/sq.m. per month)			(Rmb/sq.m. per month)	(Rmb in millions)
Fuzhou Powerlong								
City Plaza.	974.0	974.0	74–230	117	0.08%	0%	117	990.0
Zhengzhou Powerlong								
City Plaza.	1,071.5	1,071.5	56–140	98	3.66%	0%	98	1,108.6
Bengbu Powerlong								
City Plaza.	787.0	295.5	33–97	56	6.96%	0%	56	793.0
Luoyang Powerlong								
City Plaza.	265.0	124.0	31	31	3.17%	0%	31	266.0
Qingdao Powerlong								
City Plaza.	1,783.0	247.7	49–162	104	2.37%	0%	104	1,790.0
Tai'an Powerlong								
City Plaza.	480.0	111.4	42–80	63	0.77%	0%	63	481.0
Wuxi Yuqi Powerlong								
Riverside Garden.	60.4	16.8	55	55	0.80%	0%	55	61.1
Total.	5,420.9	2,840.9						5,489.7

Note:

- (1) The range of monthly market rents of each city is derived from the unit rate of retail rental information from the respective city.

As of June 30, 2009, the tenanted portions comprised of 90,840 square meters, 43,531 square meters, 50,524 square meters and 78,404 square meters of GFA for Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Bengbu Powerlong City Plaza and Qingdao Powerlong City Plaza, respectively. The remaining vacant portions with a total GFA of approximately 281,473 square meters were attributable to Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Bengbu Powerlong City Plaza, Luoyang Powerlong City Plaza, Qingdao Powerlong City Plaza, Tai'an Powerlong City Plaza and Wuxi Yuqi Powerlong Riverside Garden.

Our total forecast rental income from July 1 to December 31, 2009 is expected to be approximately Rmb 53.7 million, which comprises primarily the forecast rental income of our commercial properties leased out of approximately Rmb 41.7 million and, to a lesser extent, the forecast rental income of our commercial properties expected to be leased out after the properties are completed of approximately Rmb 12.0 million. The rental income of our already tenanted commercial properties was calculated on a straight-line basis over the lease term,

SUMMARY

taking into account the actual agreed monthly rental under the lease agreements, whereas the rental income of our yet to be tenanted commercial properties was calculated on a straight-line basis over the lease term, taking into account prevailing market rental rates in the cities in which our commercial properties are located. As of June 30, 2009, the total GFA of our tenanted commercial properties in Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Bengbu Powerlong City Plaza and Qingdao Powerlong City Plaza was 90,840 square meters, 43,531 square meters, 50,524 square meters and 78,404 square meters, respectively. The forecast rental income of Rmb 19.9 million, Rmb 5.1 million, Rmb 1.3 million and Rmb 15.4 million from July 1 to December 31, 2009, respectively. As of the same date, the remaining vacant portions with a total GFA of approximately 281,473 square meters were attributable to Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Bengbu Powerlong City Plaza, Luoyang Powerlong City Plaza, Qingdao Powerlong City Plaza, Tai'an Powerlong City Plaza and Wuxi Yuqi Powerlong Riverside Garden, with a total forecast rental income from July 1 to December 31, 2009 expected to be approximately Rmb 12.0 million.

The table below summarizes the sensitivity of the forecast consolidated profit attributable to equity holders of our Company based on changes in the market rent assumption.

<u>Changes in market rent</u>	<u>20% below base case</u>	<u>10% below base case</u>	<u>Base case market rent assumption</u>	<u>10% above base case</u>	<u>20% above base case</u>
<u>Impact on forecast consolidated profit attributable to equity holders of the Company (Rmb in millions)</u>	<u>(760.4)⁽¹⁾</u>	<u>(379.7)⁽¹⁾</u>	<u>—</u>	<u>384.0⁽¹⁾</u>	<u>763.1⁽¹⁾</u>

Note:

(1) Market yield of 8% has been applied.

SUMMARY

Occupancy of our investment properties

The table below summarizes the following information: (i) the total GFA expected to be held for investment in 2009 in our completed commercial property and commercial properties under development; (ii) the GFA subject to signed leases; (iii) the GFA subject to letters of intent as of June 30, 2009 in each of the commercial complexes; and (iv) the percentage of the total area they represent.

				GFA of vacant portion			Proportion of total GFA subject to lease agreements or letters of intent
	Total GFA held for investment ⁽¹⁾	GFA of tenanted portion	Occupancy rate ⁽²⁾	GFA with letters of intent ⁽⁴⁾	GFA without letters of intent	Total GFA of vacant portion ⁽³⁾	
	(sq.m.)	(sq.m.)	(%)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Completed							
Fuzhou Powerlong City Plaza . . .	94,835	90,840	95.8%	—	3,995	3,995	95.8%
Zhengzhou Powerlong City Plaza	88,359	43,531	49.3%	30,885	13,943	44,828	84.2%
Sub-total (completed properties) .	183,194	134,371	73.3%	30,885	17,938	48,823	90.2%
Under development							
Bengbu Powerlong City Plaza . . .	106,855	50,524	47.3%	36,326	20,005	56,331	81.3%
Luoyang Powerlong City Plaza . .	63,200	—	—	50,000	13,200	63,200	79.1%
Qingdao Powerlong City Plaza . .	127,106	78,404	61.7%	5,573	43,128	48,701	66.1%
Tai'an Powerlong City Plaza . . .	56,331	—	—	9,334	46,997	56,331	16.6%
Wuxi Yuqi Powerlong Riverside Garden	8,087	—	—	—	8,087	8,087	—
Sub-total (properties under development)	361,579	128,928	35.7%	101,233	131,417	232,650	63.7%
Total	544,773	263,299	48.3%	132,118	149,355	281,473	72.6%

Notes:

- (1) Excludes GFA of car parking spaces.
- (2) Calculated as GFA of tenanted portion divided by total GFA held for investment.
- (3) Represents the sum of GFA with letters of intent and GFA without letters of intent.
- (4) Letters of intent are not legally binding and include letters of expressions of interest by our potential tenants.

The occupancy rate (including letters of intent) of Fuzhou Powerlong City Plaza stood at approximately 95.8% as of June 30, 2009. The occupancy rate (including letters of intent) of Zhengzhou Powerlong City Plaza stood at approximately 84.2% as of June 30, 2009. The weighted average occupancy rate based on both GFA subject to signed lease agreements and GFA subject to letters of intent of both completed properties and properties under development stood at approximately 72.6% as of June 30, 2009.

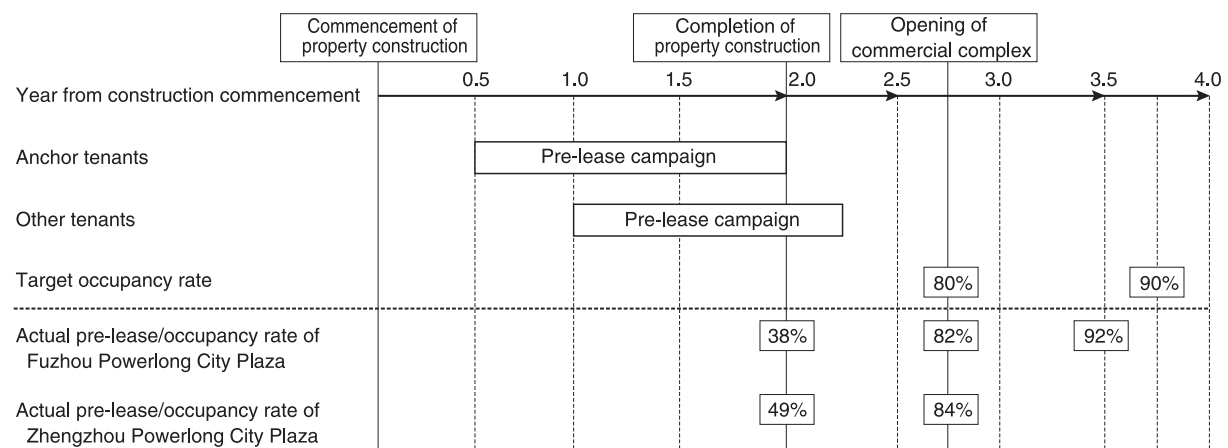
We typically complete the development of our commercial complexes within two years of commencing construction and open the commercial properties for business six months after the completion of construction. Depending on the size of the project and the progress of our pre-lease campaigns, we may open the commercial complexes in stages. In relation to our targeted anchor tenants (tenants whose lease terms are typically above five years), we typically begin

SUMMARY

lease negotiations with them within six months of commencement of construction of a commercial complex. We primarily target large supermarket chains and well-known domestic and international chain stores at this stage of our pre-lease campaign, including major retailers, cinemas and large restaurants. In relation to other potential retail tenants (tenants whose lease terms are typically less than five years), we typically begin lease negotiations with them between 12 and 18 months after the commencement of construction of a commercial complex.

Our overall target occupancy rates for our commercial properties are typically as follows: (i) shortly before completion of construction — secure anchor tenants to improve the profile of the properties; (ii) at the time of opening of a commercial complex — achieve an occupancy rate of at least 80%; and (iii) one year after the opening of a commercial complex — achieve an occupancy rate of over 90%.

Our pre-lease strategy with respect to different classes of tenants and the target occupancy rate at various stages of development of our investment properties are illustrated below.



The progress of securing potential tenants varies for our commercial properties depending on the size, location and tenant mix of the commercial properties, as well as the negotiation process with our prospective tenants. Typically, we expect the occupancy rate of our commercial complexes to reach 80% or above at the time of opening of each phase of the commercial complexes. In line with market practice in the PRC and our past experience, we normally secure most of the commercial tenants, representing up to 80% of the occupancy rate, for our commercial complexes at the time of full opening or partial opening of a commercial complex. We focus primarily on securing anchor tenants at the early stages of a commercial complex development and we focus on securing other retail tenants around the time of opening of the commercial complex.

In relation to Fuzhou Powerlong City Plaza, we secured anchor tenants, such as Carrefour and Gome, one year after the commencement of construction. At the time of completion of construction, we had secured tenants for 38% of the total GFA to be leased. As we intensified our efforts to secure other retail tenants after the completion of construction, the occupancy rate of Fuzhou Powerlong City Plaza reached 82% at the time of its opening and 92% nine months after opening.

In relation to Zhengzhou Powerlong City Plaza, we secured anchor tenants, such as ITAT and Champion Rink, one and half year after the commencement of construction. At the time of completion of construction, we had entered into lease agreements in relation to 49% of the total

SUMMARY

GFA to be leased. Zhengzhou Powerlong City Plaza is expected to be open for business in the fourth quarter of 2009. Based on the letters of intent we have entered into with potential tenants, we expect the occupancy rate of Zhengzhou Powerlong City Plaza to reach approximately 84% at the time of opening.

As of the Latest Practicable Date, we had largely secured anchor tenants, such as Carrefour for Wuxi Powerlong City Plaza, Ruijing Commercial and Tesco (Shanghai Kangcheng) for Bengbu Powerlong City Plaza, and KFC and Qingdao Outlets for Qingdao Powerlong City Plaza. We expect to secure most of our target anchor tenants prior to the completion of construction of these projects. As of June 30, 2009, we had secured tenants for approximately 63.7% of the total GFA to be leased out in our investment properties under development. By the time the commercial properties are open for business, we expect the occupancy rate to be at least 80% and after one year of opening, we expect the occupancy rate to reach over 90%. In this regard, we believe that our pre-lease campaigns are effective in securing tenants and achieving our target occupancy rate within our planned timetable. In addition, we believe that as a result of our successful development of Fuzhou Powerlong City Plaza, we have further enhanced our customer relationship management system and established a competitive platform from which we may attract and secure reputable and well-known tenants for our commercial complexes that are currently under development. We also believe that as we expand our operations and complete the development of more commercial complexes, we will gain economies of scale and our pre-lease campaigns will become increasingly effective.

We have currently signed lease agreements and letters of intent with a number of anchor tenants with respect to our investment properties under development. For example, Qingdao Lotte has purchased a total GFA of 33,427 square meters in Qingdao Powerlong City Plaza for its supermarket operations and we have secured Carrefour as our anchor tenant in Wuxi Powerlong City Plaza.

Our planned strategies for enhancing our ability to secure tenants are as follows:

- Establish and strengthen relationships with our anchor tenants. We intend to establish and strengthen relationships with our anchor tenants across all our commercial complexes by understanding the business needs of our anchor tenants and seeking their feedback and suggestions in the early stages of our project development in order to meet their objectives.
- Build a comprehensive database of existing and potential tenants. We intend to build a comprehensive database of existing and potential tenants by managing and analyzing existing information on these tenants. We believe such a database will help us to seek out new tenants in different industries and different regions in China and further consolidate our tenant base.
- Further enhance our pre-lease campaign and recruit more qualified and specialized staff. We intend to further enhance our pre-lease campaign by strengthening the co-operation between our headquarters and our regional project companies. Our headquarters primarily focus on the management of our brand name and maintenance of relationships with our anchor tenants, whereas our project companies typically focus on the development and maintenance of relationships with smaller regional tenants. We also intend to recruit more qualified and specialized staff to increase the scale and effectiveness of our pre-sale campaigns.

SUMMARY

DIVIDENDS POLICY

Pursuant to the Cayman Companies Law and our Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Board. Our Memorandum and Articles of Association provide that dividends may be declared and paid out of our profit. Dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Dividend payments also depend upon the availability of dividends received from our subsidiary companies in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as our subsidiaries or joint venture companies in China, to set aside a part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur debts or losses or may be restricted by any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

Our future dividend policy is that approximately 20% of our profits available for distribution will be recommended for distribution for each financial year. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year. For further details, please refer to the section entitled “Financial Information — Dividends and Distributable Reserves” in this document. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial position, capital requirements, statutory fund reserve requirement and other conditions that our Directors may deem relevant and will be subject to approval of our shareholders.

RISK FACTORS

There are risks and uncertainties relating to our business, the PRC property development industry, China in general. We have described major risks and uncertainties under the section entitled “Risk Factors” in this document. The following is a summary of these risks and uncertainties:

Risks Relating to Our Businesses

- We are dependent on the performance of the real estate market in China, particularly in the cities and regions in which we develop our property projects and manage the properties we have developed
- The appraisal value of our properties may be different from the actual realizable value and is subject to change
- Our profitability and results of operations are impacted by the development and profitability of our commercial property leasing segment

SUMMARY

- The recent global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations
- We maintain a certain level of indebtedness and a deterioration of our cash flow position could adversely affect our ability to service our indebtedness and to continue our operations
- We may not have adequate capital resources to fund our land acquisitions and existing and future property developments
- Our results of operations for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 included unrealized revaluation increases on investment properties
- We may not be able to continue to attract and maintain key tenants for our commercial complexes
- A default by an anchor tenant could result in a significant loss of rental income, a reduction in asset value and increased bad debts
- Our profitability and results of operations are affected by changes in interest rates
- Our net current liabilities position as of June 30, 2009 may further deteriorate
- Our profit level and margin are affected by our turnover mix and we may not be able to sustain our existing level of profit
- We may not always be able to obtain land reserves that are suitable for our model of project development
- We guarantee mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans
- Our profitability and results of operations are impacted by the success of our business model
- We cannot assure you that we will be able to successfully expand our business into other cities in China
- We have limited insurance to cover our potential losses and claims
- We may not be able to complete or deliver our development projects on time or at all
- Our Controlling Shareholders have substantial control over our company and their interests may not be aligned with the interests of our other shareholders
- We may be affected by the performance of third party contractors and prices of construction materials

SUMMARY

- The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts
- We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we have acquired an interest
- We may bear demolition and resettlement costs associated with our property developments and such costs may increase
- We may be deemed a PRC resident enterprise under the new PRC Corporate Income Tax Law and be subject to PRC taxation on our worldwide income
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws
- We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business
- Several of our subsidiaries may not continue to enjoy tax benefits
- A deterioration in our brand image could adversely affect our business
- We have relatively less experience in the high-quality hotel development business, which may adversely affect our results in that segment
- Our success depends on the continued services of our senior management team and other key personnel
- Property owners may terminate our engagement as the provider of property management services which could materially adversely affect our business, results of operations and financial position
- We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result
- The total GFA of some of our property developments may have exceeded the original authorized area and the excess GFA is subject to governmental approval and payment of additional land premium

SUMMARY

Risks Relating to the Property Development Industry in China

- Our operations are subject to extensive governmental regulations, and in particular, we are susceptible to changes in policies related to the real estate industry in China
- The PRC government may adopt further measures to slow down growth in the property sector
- Changes of PRC laws and regulations with respect to pre-sale may adversely affect our cash flow position and business performance
- The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations
- We may not be able to obtain qualification certificates
- The terms on which mortgage loans are available, if at all, may affect our sales
- Intensified competition may adversely affect our business and our financial position
- Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability

Risks Relating to China

- Changes in PRC political and economic policies and conditions could adversely affect our business and prospects
- Changes in foreign exchange and foreign investment regulations in China may adversely affect our ability to invest in China and the ability of our subsidiaries to pay dividends and service debts in foreign currencies
- PRC laws and regulations involve many uncertainties and the current legal environment in China could have a negative impact on our business and/or limit the legal protections available to you
- The national and regional economies in China and our prospects may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu (H5N1)
- We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC property development industry contained in this document
- It may be difficult to effect service of process upon us or our Directors or executive officers who reside in mainland China or to enforce against them in mainland China any judgments obtained from non-PRC courts

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings.

“affiliate”	person or entity directly or indirectly controlled by, or under the direct or indirect common control of, one person or entity
“Articles of Association” or “Articles”	our amended and restated articles of association, adopted on September 16, 2009 and as amended from time to time
“associates”	has the meaning ascribed thereto under the Listing Rules, which includes (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power; (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power; and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer
“Bairun Consulting”	廈門市百潤房地產顧問有限公司 (Xiamen Bairun Property Consulting Company Limited), a limited liability company established in China on May 31, 2000 and owned as to 71% by Fuzhou Powerlong and as to 29% by Hong Qun Feng (洪群峰), an independent third party and a member of our senior management
“Bengbu Powerlong”	蚌埠寶龍置業有限公司 (Bengbu Powerlong Real Estate Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on February 21, 2006 and our indirectly wholly owned subsidiary
“Bengbu Powerlong Commercial”	蚌埠寶龍商業物業管理有限公司 (Bengbu Powerlong Commercial Property Management Company Limited), a limited liability company established in China on July 12, 2007 and our indirectly wholly owned subsidiary
“Board of Directors” or “Board”	our board of Directors
“business day”	any day (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands

DEFINITIONS

“BVI Powerlong”	Powerlong Real Estate (BVI) Holdings Limited, a company incorporated in the BVI on July 20, 2007 and our directly wholly owned subsidiary
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as amended and revised) of Cayman Islands
“CBD”	central business district
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
“certificate of completion”	建設工程竣工驗收備案表 (construction works completion inspection certificate), certificate issued by local urban construction bureaus or equivalent authorities with respect to the completion of property projects subsequent to their on-site examination and inspection
“Changzhou Powerlong”	常州寶龍置業發展有限公司 (Changzhou Powerlong Real Estate Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on June 30, 2008 and our indirectly wholly owned subsidiary
“China” or “PRC”	the People’s Republic of China and, except where the context requires, geographical or statistical references in this document to China or the PRC exclude Hong Kong, Macau and Taiwan
“China Real Estate Top 10 Research Group”	中國房地產 Top 10 研究組, a specialized PRC real estate research organization established by the 國務院發展研究中心 企業研究所 (State Council Development and Research Center), 清華大學房地產研究所 (Tsinghua University Institute of Real Estate Studies) and 中國指數研究院 (China Index Academy), each independent of our company and affiliates
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “Group,” “we,” “us” or “our”	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a company incorporated in the Cayman Islands, and all of its subsidiaries, or, where the context refers to any time prior to its incorporation, the businesses which the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by such subsidiaries pursuant to the Reorganization
“Connected Person”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“construction land planning permit”	建設用地規劃許可證 (construction land planning permit), permit issued by local urban zoning and planning bureaus or equivalent authorities in China
“construction permit”	建築工程施工許可證 (construction works commencement permit), permit issued by local construction committees or equivalent authorities in China
“construction works planning permit”	建設工程規劃許可證 (construction works planning permit), permit issued by local urban zoning and planning bureaus or equivalent authorities in China
“Controlling Shareholders”	Skylong, Sky Infinity, Walong, Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan
“Convertible Bonds”	Rmb 409,580,860 H.K. dollar settled variable maturity secured convertible bonds, a summary of terms of which is set out in the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document
“Covenantors”	the Controlling Shareholders
“Deed of Non-competition”	a deed of non-competition, dated September 16, 2009, given by our Controlling Shareholders in favor of us
“Director(s)”	our director(s)
“E-House”	E-House (China) Holdings Limited (易居（中國）控股有限公司)
“FIREE”	foreign-invested real estate enterprises
“First Amendment Agreement”	the first amendment agreement dated October 17, 2008 entered into among us, Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and the Investors
“Fuzhou Powerlong”	福州寶龍房地產發展有限公司 (Fuzhou Powerlong Real Estate Development Co., Ltd.), a foreign-invested enterprise established in China on October 21, 2003 and our indirectly wholly owned subsidiary
“Fuzhou Powerlong Commercial”	福州寶龍商業經營管理有限公司 (Fuzhou Powerlong Commercial Management Company Limited), a limited liability company established in China on April 28, 2005 and our indirectly wholly owned subsidiary
“GDP”	gross domestic product, with all references to GDP growth rates to real, as opposed to nominal, rates of GDP growth
“GFA”	gross floor area

DEFINITIONS

“Henan Hualong Commercial”	河南華龍商業地產管理有限公司 (Henan Hualong Commercial Property Management Company Limited), a limited liability company established in China on September 30, 2007 and our indirectly wholly owned subsidiary
“HIBOR”	the Hong Kong Interbank Offer Rate
“HK Powerlong”	Powerlong Real Estate (Hong Kong) Holdings Limited (寶龍地產 (香港) 控股有限公司), a company incorporated in Hong Kong on July 5, 2007 and our indirectly wholly owned subsidiary
“HK\$” or “H.K. dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Hualong Commercial”	廈門華龍商業地產管理有限公司 (Xiamen Hualong Commercial Property Management Company Limited), formerly known as 廈門百潤商業地產管理有限公司 (Xiamen Bairun Commercial Property Management Company Limited) a limited liability company established in China on June 29, 2007 and our indirectly wholly owned subsidiary
“Hualong Property”	廈門華龍物業管理有限公司 (Xiamen Hualong Property Agency Company Limited), a limited liability company established in China on April 14, 1993 and our indirectly wholly owned subsidiary
“ICBCI”	ICBC International Capital Limited
“Investors”	Stark Master Fund Ltd., Centar Investment (Asia) Ltd., Stark Asia Master Fund Ltd., Stark Global Opportunities Master Fund Ltd., Stark-Bosera China Opportunities Master Fund Ltd., R3 Capital Partners Master LP, Asia Bridge Fund I, LLC, Macquarie Investment Holding No. 2 Pty. Ltd. and Macquarie Securitisation (Hong Kong) Ltd.
“Jingtian & Gongcheng”	Jingtian & Gongcheng Attorneys at Law
“Jinjiang Changyuan”	晉江長源房地產發展有限公司 (Jinjiang Changyuan Real Estate Development Co., Ltd.), a foreign-invested enterprise established in China on November 15, 2001 and our indirectly wholly owned subsidiary

DEFINITIONS

“Jinjianguo Consulting”	廈門市金堅果企劃有限公司 (Xiamen Jinjianguo Business Planning Company Limited), a limited liability company established in China on April 17, 2006 and owned as to 71% by Fuzhou Powerlong and as to 29% by Hong Qun Feng (洪群峰), an independent third party and a member of our senior management
“JLL”	Jones Lang LaSalle Ltd.
“Kind Sonic”	良聲有限公司 (Kind Sonic Limited), a company incorporated in Hong Kong on March 27, 2009 and our indirectly wholly owned subsidiary
“land use rights certificate”	國有土地使用證 (State-owned Land Use Rights Certificate), certificate issued by a local real estate and land resources bureau with respect to the land use rights
“LAT”	土地增值稅 (Land Appreciation Tax) as defined in the PRC Provisional Regulations on Land Appreciation Tax of 1994 and its implementation rules, as described in Appendix V to this document
“Latest Practicable Date”	September 16, 2009, being the latest practicable date for ascertaining certain information in this document prior to its publication
“Lianhua Supermarket”	河南世紀聯華超市有限公司 (Henan Century Lianhua Supermarket Company Limited), an independent third party
“Lianshang Logistics”	廈門聯商物流有限公司 (Xiamen Lianshang Logistics Co., Ltd.), a foreign-invested enterprise established in China on January 24, 2008 and our indirectly wholly owned subsidiary
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Luoyang Powerlong”	洛陽寶龍置業發展有限公司 (Luoyang Powerlong Property Development Company Limited), a limited liability company established in China on March 3, 2006 and our indirectly wholly owned subsidiary
“Macau”	the Macau Special Administrative Region of China
“Macau Changyuan”	長源實業（集團）有限公司 (Cheung Yuen Land Investment Company Limited), a limited liability company incorporated in Macau on September 3, 1996 and owned as to 60% by Wong Lai Jan, as to 30% by Hoi Wa Fong and as to 10% by Hoi Wa Fan

DEFINITIONS

“Macau Jurong”	澳門聚融發展有限公司 (Oumun Choi Yong Development Company Limited), a limited liability company incorporated in Macau on September 20, 2006 and owned as to 60% by Xu Jian Man, the sister of Hoi Kin Hong, and as to 40% by Cai Xiang Jiang, the spouse of Xu Jian Man
“Macau Powerlong Group”	澳門寶龍集團發展有限公司 (Pou Long Construction and Land Investment Company Limited), a limited company incorporated in Macau on July 19, 1991 and owned as to 88.9% by Hoi Kin Hong, as to 6% by Che lok Teng, as to 1% by Hoi Wa Lam (許華琳), as to 1% by Hoi Wa Lam (許華嵐), as to 1% by Hoi Wa Weng, as to 1% by Hoi Wa Heng and as to 1.1% by Cheung Chi Lap
“Macquarie”	Macquarie Capital Securities Limited
“Ministry of Construction”	中華人民共和國建設部 (PRC Ministry of Construction)
“Ministry of Finance”	中華人民共和國財政部 (PRC Ministry of Finance)
“Ministry of Land and Resources”	中華人民共和國國土資源部 (PRC Ministry of Land and Resources)
“MOFCOM”	中華人民共和國商務部 (PRC Ministry of Commerce)
“NDRC”	中華人民共和國國家發展和改革委員會 (PRC National Development and Reform Commission)
“NPC” or “National People’s Congress”	中華人民共和國全國人民代表大會 (National People’s Congress) and its Standing Committee
“New Loan”	a loan in an aggregate principal amount of up to HK\$300 million from the Industrial and Commercial Bank of China (Asia) Limited
“New Secured Notes”	the HK\$350 million in principal amount secured notes issued by our company to Superb Miles Limited, a fellow subsidiary of ICBCI
“Parent Group”	companies and their associates, excluding our Company, but including the Macau Powerlong Group and the Xiamen Powerlong Group, under the common control of our Controlling Shareholders
“PBOC”	中國人民銀行 (People’s Bank of China), the central bank of China
“PBOC Rate”	the exchange rate for foreign exchange transactions published daily by PBOC

DEFINITIONS

“Powerlong (BVI) I”	寶龍（維京）I有限公司（Powerlong (BVI) I Limited), a company incorporated in the BVI on August 11, 2008 and our directly wholly owned subsidiary
“Powerlong (BVI) II”	寶龍（維京）II有限公司（Powerlong (BVI) II Limited), a company incorporated in the BVI on August 11, 2008 and our directly wholly owned subsidiary
“Powerlong (BVI) III”	寶龍（維京）III有限公司（Powerlong (BVI) III Limited), a company incorporated in the BVI on August 11, 2008 and our directly wholly owned subsidiary
“Powerlong (BVI) IV”	寶龍（維京）IV有限公司（Powerlong (BVI) IV Limited), a company incorporated in the BVI on August 11, 2008 and our directly wholly owned subsidiary
“Powerlong (BVI) V”	寶龍（維京）V有限公司（Powerlong (BVI) V Limited), a company incorporated in the BVI on August 11, 2008 and our directly wholly owned subsidiary
“Powerlong (HK) 1”	寶龍（香港）1有限公司（Powerlong (HK) 1 Limited), a company incorporated in Hong Kong on October 3, 2008 and our indirectly wholly owned subsidiary
“Powerlong (HK) 2”	寶龍（香港）2有限公司（Powerlong (HK) 2 Limited), a company incorporated in Hong Kong on October 3, 2008 and our indirectly wholly owned subsidiary
“Powerlong (HK) 3”	寶龍（香港）3有限公司（Powerlong (HK) 3 Limited), a company incorporated in Hong Kong on October 3, 2008 and our indirectly wholly owned subsidiary
“Powerlong (HK) 4”	寶龍（香港）4有限公司（Powerlong (HK) 4 Limited), a company incorporated in Hong Kong on October 3, 2008 and our indirectly wholly owned subsidiary
“Powerlong (HK) 5”	寶龍（香港）5有限公司（Powerlong (HK) 5 Limited), a company incorporated in Hong Kong on October 3, 2008 and our indirectly wholly owned subsidiary
“Powerlong Decoration”	廈門寶龍裝飾設計工程有限公司（Xiamen Powerlong Decoration Design Works Company Limited), a limited liability company established in China on March 21, 2001 and our indirectly wholly owned subsidiary
“Powerlong Design”	廈門寶龍設計諮詢有限公司（Xiamen Powerlong Design Consulting Company Limited), a limited liability company established in China on November 21, 2003 and owned as to 80% by Fuzhou Powerlong and as to 20% by Chen Yi Wei, an independent third party

DEFINITIONS

“Powerlong Management”	廈門寶龍地產管理有限公司 (Xiamen Powerlong Real Estate Management Co., Ltd.), a foreign-invested enterprise established in China on October 16, 2007 and our indirectly wholly owned subsidiary
“PRC Company Law”	中華人民共和國公司法 (the PRC Company Law), as enacted by the NPC on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC government”	the central government of China and its political subdivisions, including provincial, municipal and other regional or local government bodies or, as the context requires, any of them
“property ownership certificate”	房地產權證 (Property Ownership and Land Use Rights Certificate), certificate issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on such land
“Property Valuation Report”	property valuation report prepared by Savills and contained in Appendix IV to this document
“Qingdao Licang Powerlong”	青島寶龍房地產發展有限公司 (Qingdao Powerlong Real Estate Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on November 21, 2007 and our indirectly wholly owned subsidiary
“Qingdao Lotte”	青島樂天滿意得商業有限公司 (Qingdao Lotte Manyide Commercial Company Limited), an independent third party
“Qingdao Outlets”	青島康城奧特萊斯購物中心有限公司 (Qingdao Cannes Outlets Shopping Center Company Limited), an indirectly wholly owned subsidiary of Macau Powerlong Group
“Qingdao Powerlong”	寶龍集團（青島）置業發展有限公司 (Powerlong Group (Qingdao) Property Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on July 13, 2006 and our indirectly wholly owned subsidiary
“Qingdao Powerlong Commercial”	青島寶龍商業物業管理有限公司 (Qingdao Powerlong Commercial Property Management Company Limited), a limited liability company established in China on February 25, 2008 and our indirectly wholly owned subsidiary
“Quanzhou Baohua”	泉州市寶華房地產發展有限公司 (Quanzhou Baohua Property Development Company Limited), a limited liability company established in China on February 23, 2004 and our indirectly wholly owned subsidiary

DEFINITIONS

“Reorganization”	the reorganization of our assets and liabilities, including assets and liabilities of our subsidiaries and associated companies, as described in the section entitled “History, Reorganization and Corporate Structure — Reorganization” in this document and “Statutory and General Information — A. Further Information About Our Company — 4. Corporate reorganization” in Appendix VIII to this document
“Rmb” or “Renminbi”	Renminbi yuan, the lawful currency of China
“Ruijing Commercial”	安徽瑞景商業有限責任公司 (Anhui Ruijing Commercial Company Limited), an independent third party
“SAFE”	中華人民共和國國家外匯管理局 (PRC State Administration of Foreign Exchange)
“SAIC”	中華人民共和國國家工商行管理總局 (the PRC State Administration for Industry and Commerce)
“Savills”	Savills Valuation and Professional Services Limited
“Second Amendment Agreement”	the second amendment agreement dated July 17, 2009 entered into among us, Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and the Investors
“Secured Bonds”	the H.K. dollar settled variable maturity secured convertible bonds, which were restructured to have similar terms as the Secured Notes and with the conversion feature removed, details of the restructuring are set out in the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document
“Secured Notes”	Rmb 614,371,290 H.K. dollar settled variable maturity secured notes, a summary of terms of which is set out in the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Powerlong”	山東寶龍實業發展有限公司 (Shandong Powerlong Industry Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on June 7, 2005 and our indirectly wholly owned subsidiary
“Shanghai Kangcheng”	上海康誠倉儲有限公司 (Shanghai Kangcheng Storage Company Limited), an independent third party

DEFINITIONS

“shareholder”	a holder of our Share(s) from time to time
“Share Option Scheme”	the share option scheme we conditionally adopted on September 16, 2009, the principal terms of which are summarized in the section entitled “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix VIII to this document
“Shares”	ordinary shares in our capital with par value of HK\$0.01 per Share
“Sky Infinity”	Sky Infinity Holdings Limited, a company incorporated in the BVI on July 27, 2007 and wholly owned by Hoi Wa Fong
“Skylong”	Skylong Holdings Limited, a company incorporated in the BVI on July 20, 2007 and wholly owned by Hoi Kin Hong
“sq.m.”	square meter
“State Council”	中華人民共和國國務院 (State Council of China)
“State Taxation Bureau”	中華人民共和國國家稅務總局 (State Taxation Bureau of China)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance, pursuant to which, among other things, a company will be deemed to be a subsidiary of another company if (a) that other company (i) controls the composition of the board of directors of the first-mentioned company, or (ii) controls more than half of the voting power of the first-mentioned company, or (iii) holds more than half of the issued share capital of the first-mentioned company (excluding any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital); or (b) the first-mentioned company is a subsidiary of any company which is that other company’s subsidiary
“Suqian Powerlong”	宿遷寶龍置業發展有限公司 (Suqian Powerlong Property Development Company Limited), a limited liability company established in China on December 10, 2007 and our indirectly wholly owned subsidiary
“Suzhou Hotel”	蘇州太倉寶龍大酒店有限公司 (Suzhou Taicang Powerlong Hotel Co., Ltd.) formerly known as 蘇州寶龍大酒店有限公司 (Suzhou Powerlong Hotel Company Limited), a Sino-foreign equity joint venture enterprise established in China on August 29, 2006 and our indirectly wholly owned subsidiary

DEFINITIONS

“Suzhou Powerlong”	蘇州寶龍房地產發展有限公司 (Suzhou Powerlong Real Estate Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on August 5, 2004 and our indirectly wholly owned subsidiary
“Tai’an Hotel”	泰安寶龍大酒店有限公司 (Tai’an Powerlong Hotel Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on June 5, 2009 and our indirectly wholly owned subsidiary
“Tai’an Powerlong Commercial”	泰安寶龍商業物業管理有限公司 (Tai’an Powerlong Commercial Property Management Company Limited), a limited liability company established in China on April 5, 2007 and our indirectly wholly owned subsidiary
“Taicang Baohua Property”	太倉寶華物業管理有限公司 (Taicang Baohua Property Management Company Limited), a limited liability company established in China on October 9, 2006 and our indirectly wholly owned subsidiary
“Track Record Period”	our financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“WAG Worldsec”	WAG Worldsec Corporate Finance Limited
“Walong”	Walong Holdings Limited, a company incorporated in the BVI on July 20, 2007 and wholly owned by Hoi Wa Fan
“Warrants”	the warrants to be issued by the Company entitling the holders thereof to subscribe for new Shares
“Wason”	Wason Holdings Limited, a company incorporated in the BVI on July 24, 2007 and owned as to 70% by Che Lok Teng and as to 10% by each of Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐) and Hoi Wa Weng
“Wide Evolution”	Wide Evolution Limited, a company incorporated in Hong Kong on February 11, 2008 and our indirectly wholly owned subsidiary
“Wuxi Powerlong”	無錫寶龍房地產發展有限公司 (Wuxi Powerlong Real Estate Development Co., Ltd.), a foreign-invested enterprise established in China on November 1, 2006 and owned as to 80% by HK Powerlong and as to 20% by Macau Jurong

DEFINITIONS

“Wuxi Powerlong Commercial”	無錫寶龍商業物業管理有限公司 (Wuxi Powerlong Commercial Property Management Company Limited), a limited liability company established in China on April 8, 2008 and our indirectly wholly owned subsidiary
“Wuxi Yuqi”	無錫玉祁寶龍置業有限公司 (Wuxi Yuqi Powerlong Property Co., Ltd.), a foreign-invested enterprise established in China on February 27, 2007 and our indirectly wholly owned subsidiary
“Wuyishan Powerlong”	武夷山寶龍置業發展有限公司 (Wuyishan Powerlong Real Estate Development Co., Ltd.), a foreign-invested enterprise established in China on January 29, 2008 and our indirectly wholly owned subsidiary
“Xiamen Original Design”	廈門原作建築設計諮詢有限公司 (Xiamen Yuanzuo Architecture Design Consulting Company Limited), a limited liability company established in China on June 25, 2007 and owned as to 71% by Fuzhou Powerlong and as to 29% by Mei Song Hua, an independent third party
“Xiamen Powerlong”	廈門寶龍房地產發展有限公司 (Xiamen Powerlong Real Estate Development Co., Ltd.), a foreign-invested enterprise established in China on August 15, 1992 and a wholly owned subsidiary of Macau Powerlong Group
“Xiamen Powerlong Group”	寶龍集團發展有限公司 (Powerlong Group Development Co., Ltd.), a foreign-invested enterprise established in China on July 11, 1992 and a wholly owned subsidiary of Macau Powerlong Group
“Xiamen Powerlong Information”	廈門寶龍信息產業發展有限公司 (Xiamen Powerlong Information Industry Co., Ltd.), a limited liability company established in China on September 2, 2003, and is owned as to 51% by Xiamen Powerlong Group and as to 49% by 聚友國際投資有限公司 (Jui Yau International Investments Company Limited), which is owned as to approximately 24.8% by Hoi Wa Fong and Hoi Wa Fan, an executive Director and a non-executive Director, and the remaining shares by certain of our employees and ex-employees
“Xiamen Registered Subsidiaries”	our subsidiaries comprising of Hualong Commercial, Powerlong Decoration, Powerlong Design, Powerlong Management, Bairun Consulting, Hualong Property, Jinjianguo Consulting, Xiamen Original Design, Xiamen Powerlong, Xiamen Powerlong Group, Xiamen Powerlong Information

DEFINITIONS

“Xinxiang Powerlong”	新鄉寶龍置業發展有限公司 (Xinxiang Powerlong Real Estate Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on December 25, 2007 and our indirectly wholly owned subsidiary
“Yancheng Powerlong”	鹽城寶龍置業發展有限公司 (Yancheng Powerlong Real Estate Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on May 13, 2008 and our indirectly wholly owned subsidiary
“Yantai Powerlong”	煙台寶龍體育置業有限公司 (Yantai Powerlong Real Estate Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on December 19, 2007 and our indirectly wholly owned subsidiary
“Zhengzhou Outlets”	鄭州康城奧特萊斯商業有限公司 (Zhengzhou Cannes Outlets Commercial Company Limited), an indirectly wholly owned subsidiary of Macau Powerlong Group
“Zhengzhou Powerlong”	鄭州寶龍置業發展有限公司 (Zhengzhou Pou Long Real Estate Development Co., Ltd.), a Sino-foreign equity joint venture enterprise established in China on April 7, 2005 and our indirectly wholly owned subsidiary
“Zhengzhou Powerlong Commercial”	鄭州寶龍商業物業管理有限公司 (Zhengzhou Powerlong Commercial Property Management Company Limited), a limited liability company established in China on October 16, 2007 and our indirectly wholly owned subsidiary

Unless the context otherwise requires, references to “2006,” “2007” and “2008” in this document are to our financial years ended December 31, 2006, 2007 and 2008, respectively.

RISK FACTORS

RISKS RELATING TO OUR BUSINESSES

We are dependent on the performance of the real estate market in China, particularly in the cities and regions in which we develop our property projects and manage the properties we have developed

Our business and prospects depend on the performance of the PRC property market. Any property market downturn in China generally or in the cities and regions in which we have property projects could adversely affect our business, results of operations and financial position. We currently have three completed projects in Fujian Province and one completed project in Henan Province. Of the projects under development or held for future development, six are located in Jiangsu Province, four in Shandong Province, two in Henan Province and one in Anhui Province. The completed properties have an aggregate site area of approximately 260,288 square meters and an aggregate total GFA of approximately 660,302 square meters. The properties under development and held for future development have an aggregate site area of approximately 3,312,359 square meters and an estimated aggregate total GFA of approximately 7,217,331 square meters. Of the properties under development as of June 30, 2009, we had sold or pre-sold an aggregate GFA of approximately 875,584 square meters. As consumer spending changes due to changing economic conditions, we cannot assure you that the demand for new commercial or residential properties in the regions where we have operations will continue to grow. In addition, we cannot assure you that there will not be any over-supply of properties or economic downturn in the cities and regions where we have property projects. Any such over-supply or economic downturn may result in a decline in property sales or property prices regionally and/or nationally, which would have a material adverse effect on our business, results of operations and financial position.

The appraisal value of our properties may be different from the actual realizable value and is subject to change

The appraisal value of our properties as contained in the Property Valuation Report prepared by Savills contained in Appendix IV to this document is based on multiple assumptions that include elements of subjectivity and uncertainty, and may be subject to substantial fluctuations. Therefore, the appraised values of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the property projects as well as national and local economic conditions may affect the value of our property holdings. In particular, the fair value of our investment properties could remain stable or decrease in the event that the market for comparable properties in the PRC experiences a downturn as a result of the PRC government policies aimed at "cooling-off" the PRC property market, the continued effect of the recent economic downturn, or otherwise.

RISK FACTORS

As noted above, the appraised value of our property development projects and our land reserves are based on many assumptions. These assumptions include that:

- we will complete development projects on time;
- we have obtained or will obtain, on a timely basis, all approvals from regulators necessary for the development of the projects; and
- we have paid all the land premium and obtained all land use rights certificates and transferable land use rights.

As for properties that we do not wholly own, their appraised values are allocated according to our pro rata ownership of the relevant project companies.

The Property Valuation Report contained in Appendix IV to this document also made reference to six parcels of land that we, as of June 30, 2009, had entered into land grant contracts but had not made full payment of the land premium or satisfied other conditions for obtaining the relevant land use rights certificates. As a result, we are not in possession of the land use rights certificates with respect to the entire parcels of land for these properties as of the date of this document. In accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, PRC properties without proper land use rights certificates may not be assigned any commercial value for the purposes of issuing any property valuation report.

If any of the assumptions proves to be incorrect and/or the actual realizable value of any of our properties is significantly lower than its appraised value, our business, results of operations and financial position may be materially adversely affected.

Our profitability and results of operations are impacted by the development and profitability of our commercial property leasing segment

In addition to property development, leasing out of our investment properties constitutes an integral part of our business. As of the Latest Practicable Date, we had leased out approximately 113,348 square meters of GFA of our commercial properties located in Fuzhou Powerlong City Plaza and Zhengzhou Powerlong City Plaza. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, revenue generated from our leasing segment constituted approximately 0.1%, 3.1%, 3.4% and 2.2%, respectively, of our total revenue. As of June 30, 2009, we had an aggregate of approximately 238,760 square meters of completed commercial properties available for lease, accounting for approximately 57.7% of the total GFA of our completed commercial properties and 36.2% of the total GFA of our completed properties. If there is a significant downturn in the commercial property leasing markets in the cities and regions where we have investment properties, we may not be able to maintain our current levels of rental income. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or at all, upon the expiration of the existing terms. As some of our leases are long-term leases ranging from 10 to 20 years, we may not be able to increase rent levels during the lease terms. Most of our rental income during 2007 and 2008 was derived from these long-term leases. As we seek to increase our portfolio of commercial investment properties, the leasing out of properties will become an increasingly major contributor to our revenue going forward. We may not, however, be able to identify or secure suitable tenants for our commercial properties. Our inability to expand our portfolio of commercial properties for lease and operations, secure suitable tenants or otherwise to

RISK FACTORS

enhance the profitability of our leasing segment or to maintain our current levels of rental income would have a material adverse effect on our business, results of operations and financial position.

The recent global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations

The recent global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The slowdown of the worldwide economy, including that of China, has caused a rapid slide in property prices. The market volatility and uncertainty caused by the global financial crisis have also contributed to a lower demand for our properties and a decline in their selling prices. The global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a further decrease in the general demand for our products, an erosion of their selling prices and a decrease in our gross profit margin.

The negative impact of the recent global economic slowdown has contributed to the deterioration of our results of operations and financial position in 2008. For example:

- the lack of liquidity in the global financial markets has negatively impacted our liquidity and our ability to obtain additional financing for property development, which in turn adversely impacted our property construction schedules;
- the delays in our property construction schedules have resulted in fewer completed properties being delivered in 2008 than we originally planned, which adversely affected our results of operations; and
- the uncertain economic outlook has contributed to a lower demand for our properties and a drop in our pre-sale volume, as well as a decline in the average selling prices of our residential properties in most of our properties under development, particularly Suzhou Taicang Powerlong City Plaza, Tai'an Powerlong City Plaza and Bengbu Powerlong City Plaza.

As a result, we scaled back our original property development and business expansion plans, postponed the completion schedules of most of our properties, as well as reduced our investment property portfolio to mitigate the impact of the global economic downturn to us on our industry. For example, we slowed down the property completion and delivery schedules of all our properties under development by six to 12 months, or even longer for certain phases of our projects. In addition, we sold a portion of our investment properties which we originally intended to hold for long term investment to generate additional cash flow and ensure sufficient liquidity during the economic downturn.

As a result of the postponement of delivery of completed properties, we became liable to approximately Rmb 3.3 million and Rmb 11.3 million in late delivery penalty for the year ended December 31, 2008 and the period from January 1, 2009 to the Latest Practicable Date, respectively, under the underlying sale and purchase agreements. As of the Latest Practicable

RISK FACTORS

Date, approximately Rmb 7.3 million of the total amount of penalties incurred since the beginning of 2008 had been paid to our customers (including the full settlement of the amount incurred in 2008).

The recent global financial market crisis have adversely impacted, and will continue to adversely impact, our liquidity, capital expenditure financing and working capital. You may find additional information on our liquidity and financial position in the section entitled “Financial Information — Liquidity and Capital Resources” in this document.

While the PRC government and governments around the world have taken remedial actions to address the financial crisis, we cannot assure you that these actions will be effective. If the recent global economic slowdown and financial market crisis continues, the demand for our products and our ability to obtain necessary financing for our operations could be materially adversely affected, which in turn will negatively impact our business, results of operations and financial position.

We maintain a certain level of indebtedness and a deterioration of our cash flow position could adversely affect our ability to service our indebtedness and to continue our operations

We maintain a certain level of indebtedness to finance our operations. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate outstanding bank borrowings was Rmb 129.0 million, Rmb 760.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively. In addition to our total indebtedness described above, we had outstanding guarantees in respect of our customers’ mortgage loans amounting to approximately Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. Of our total outstanding bank borrowings of Rmb 988.2 million as of June 30, 2009, approximately Rmb 683.0 million was repayable within 12 months, approximately Rmb 269.4 million was repayable within five years and approximately Rmb 35.8 million was repayable after five years.

In addition to bank borrowings, we also issued Convertible Bonds and Secured Notes in December 2007 to finance our acquisition of new land reserves and to pay outstanding construction costs for our existing property development projects. We refinanced the Convertible Bonds and Secured Notes through a series of restructuring efforts between September 2008 and July 2009. As a result of such restructuring, the Convertible Bonds were converted into the Secured Bonds. For more information, see the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document. We had total outstanding Secured Bonds and Secured Notes of Rmb 415.0 million as of June 30, 2009. The interest payable of the Secured Bonds and Secured Notes expected to be accrued up to the Latest Practicable Date is approximately Rmb 43.7 million. We incurred a substantial amount of interest expenses in relation to our bank borrowings, Convertible Bonds and Secured Notes, as well as Secured Bonds and Secured Notes during the Track Record Period and we capitalized a large portion of these interest expenses. In particular, we incurred a total interest expenses of Rmb 329.6 million in relation to our Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes during the Track Record Period, of which Rmb 294.6 million had been capitalized. These capitalized interest expenses were recorded as part the development costs of the properties held for development in Suqian, Yantai, Xinxiang, Yancheng, Licang and Changzhou which we acquired using the proceeds from the issuance of the Convertible Bonds and Secured Notes.

RISK FACTORS

Our gearing ratio, calculated as total borrowings (including bank borrowings and Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes) divided by total assets, was 3.8%, 24.6%, 22.7% and 15.4%, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009.

During the Track Record Period, our net cash flow from operating activities was Rmb 490.9 million, Rmb 1,047.4 million, Rmb 131.3 million and Rmb 335.0 million, respectively. Our cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness. We cannot assure you that we will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or if our refinancing efforts are otherwise unsuccessful, our liquidity, business, results of operations and financial position will be materially adversely affected.

In addition to bank borrowings, we rely on pre-sale proceeds of properties as a major source of funding for our operations, including servicing our debt. Should our pre-sale activities be significantly limited or otherwise materially adversely affected as a result of changes in relevant PRC rules and regulations, the recent global economic downturn, or significant economic slowdown in China or in the cities and regions where we have property projects, our cash flow position and our ability to service debt may be adversely affected. In addition, if banks decline to provide additional loans to us or to re-finance our existing loans when they mature as a result of our perceived credit risk, and we fail to raise financing through other channels, our business, cash flow position, results of operations and our financial position may be materially adversely affected.

We may not have adequate capital resources to fund our land acquisitions and existing and future property developments

Property development is capital intensive. We finance our property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internal funds. We may also access the capital markets to raise further financing. As of June 30, 2009, our total bank borrowings and debt incurred as a result of our issue of the Secured Bonds and Secured Notes amounted to approximately Rmb 415.0 million. Our ability to procure adequate financing for land acquisition and property developments depends on a number of factors that are beyond our control. In June 2003, PBOC adopted measures to strengthen enforcement on lending regulations in the property industry. These measures:

- prohibit PRC commercial banks from financing the payment of land premium;
- restrict PRC commercial banks from financing the development of luxury residential properties and villas; and
- restrict property developers from financing property developments with loans obtained from banks in regions outside the locations of the relevant property developments.

RISK FACTORS

In May 2006, the Ministry of Construction and other PRC government authorities jointly issued the Opinions on Housing Supply Structure and Stabilization of Property Prices 《關於調整住房供應結構穩定住房價格的意見》, which, among others:

- restrict the extension of loans and the grant of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans.

Under PRC law, banks must hold a certain amount of funds in reserve against deposits made by their customers. PBOC had increased this reserve ratio requirement for commercial banks 18 times between July 2006 and May 2008, from 7.5% in the first half of 2006 to 17.5% in June 2008. Since June 2008, in order to stimulate the PRC economy, PBOC has decreased the required reserve ratio for commercial banks four times, from 17.5% to 14.5% in December 2008. PBOC's decision to adjust this ratio has a material effect on the amount of funds available to commercial banks in China to lend to businesses, including us.

These government actions and policy initiatives may limit our ability and flexibility to use bank loans to finance our property projects and therefore may require us to maintain a relatively high level of internally sourced cash. We cannot assure you that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, results of operations and financial position will not be materially adversely affected as a result of such and other government actions and policy initiatives.

Our results of operations for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 included unrealized revaluation increases on investment properties

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we had revaluation increases on our investment properties, net of related corporate income tax representing 66.0%, 65.9%, 68.5% and 0.5% of our net profit for the respective years. Upward revaluation adjustments, which reflected unrealized capital gains on our investment properties during the relevant years, were not profit generated from the sales or leasing of our investment properties, and did not generate any actual cash inflow to us. Unless such investment properties are disposed of at similarly revalued amounts, we will not realize actual cash flow for purposes such as dividend distribution to our shareholders. The amount of revaluation adjustments have been, and will continue to be, significantly affected by the prevailing property markets and will be subject to market fluctuations. We cannot assure you that we will continue to record similar levels of revaluation increases in the future. In the event that there is material downward adjustments in the revaluation amount of our investment properties in the future, our business, results of operations and financial position may be materially adversely affected.

We may not be able to continue to attract and maintain key tenants for our commercial complexes

Our commercial properties compete for tenants with a number of other commercial properties in the surrounding areas on the basis of a wide range of factors, including location, appearance, age, construction quality, maintenance and design. We also compete for tenants on

RISK FACTORS

the basis of rent levels and other lease terms. We seek to maintain the quality and attractiveness of our commercial complexes by securing long-term partnerships with domestic and foreign brands across a wide spectrum of industries. Many of these brands, such as Carrefour, Gome Electronics (國美電器), Fujian Xinhuadu Department Stores (福建新華都百貨) and Jinyi Cinema (金逸影城) have become our anchor tenants. For information on our anchor tenants’ respective revenue contribution during the Track Record Period, see the section entitled “Business — Investment Properties — Tenants and Leases” in this document. For a brief description of the terms of the leases, please also see the section entitled “Business — Investment Properties — Tenants and Leases.” Based on a letter of intent, we also expect that Suning Electronics (蘇寧電器) could become our tenant when some of our other commercial properties are completed.

However, we cannot assure you that existing and prospective tenants will not consider our competitors to have superior properties. Also, because our leases may include short-term leases, our properties are sensitive to market fluctuations. As a result, we may lose current and potential tenants to our competitors and have difficulty renewing leases or entering into new leases. An increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants, reduce the relative attractiveness of our properties and force us to reduce rent or incur additional costs in order to make our properties more attractive. As of June 30, 2009, our occupancy rate (computed by dividing the leased area by the area held for lease, excluding car parking spaces) in our completed property projects was approximately 73.3%. If we are not able to consistently compete effectively for commercial tenants with other property developers or operators, our occupancy rates may decline. If we fail to attract well-known brands as our tenants or maintain our existing anchor tenants, the attractiveness and competitiveness of our commercial complexes may be adversely affected. This in turn could have a material adverse effect on our business, reputation, results of operations and financial position.

A default by an anchor tenant could result in a significant loss of rental income, a reduction in asset value and increased bad debts

We derive a significant portion of our revenue directly or indirectly from rent received from our anchor tenants. Anchor tenants generally pay a significant portion of the total rents in respect of a commercial complex and, in some cases, contribute to the success of securing other tenants by attracting significant numbers of customers to the property. As of June 30, 2009, our top five tenants account for approximately 59.2% of our rental income. A downturn in business, bankruptcy or insolvency could force an anchor tenant to default on its rental obligations and/or vacate the premises. Such a default, in particular by one of our top five tenants, could result in a loss of rental income and an increase in bad debts, and decrease the value of the property. Moreover, such a default may prevent us from increasing rents or result in lease terminations by, or reductions in rents for, other tenants under the conditions of their leases. Any of the above effects of a default by an anchor tenant could have a material adverse effect on our business, results of operations and financial position.

Our profitability and results of operations are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. In April 2006, PBOC raised the benchmark one-year lending rate from 5.58% to 5.85% and in August 2006 further increased such rate to 6.12%. PBOC again increased the one-year lending rate six times in 2007 from 6.12% to 7.47% in December 2007. Beginning in 2008, PBOC decreased the benchmark one-year lending rate five times,

RISK FACTORS

from 7.47% to 5.31% in December 2008. As of December 31, 2008 and June 30, 2009, the average annualized interest rate on our outstanding bank borrowings was 7.12% and 6.42%. Interest expenses of our bank borrowings incurred in 2006, 2007 and 2008 and the six months ended June 30, 2009 were Rmb 9.3 million, Rmb 22.6 million, Rmb 68.8 million and Rmb 35.9 million, respectively. In addition, increases in interest rates may affect our customers’ ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties. We cannot assure you that PBOC will not raise lending rates further or otherwise discourage bank lendings or that our business, results of operations and financial position will not be materially adversely affected as a result.

Our net current liabilities position as of June 30, 2009 may further deteriorate

Our net current liabilities as of June 30, 2009 were approximately Rmb 691.8 million, comprising current assets of approximately Rmb 5,368.7 million and current liabilities of approximately Rmb 6,060.5 million. Our current liabilities consisted of advances from customers for pre-sold properties of Rmb 2,044.6 million, trade and other payables of Rmb 2,344.4 million, Secured Bonds and Secured Notes of Rmb 415.0 million, dividend payable of Rmb 32.9 million, current tax liabilities of Rmb 540.5 million and current borrowings of Rmb 683.0 million. The deposits received from the pre-sale of properties constitute cash inflow for us, but are accounted for as liabilities prior to delivery of the properties. Such pre-sale proceeds will be recognized as revenue upon delivery of completed properties. However, we cannot assure you that our internally generated resources will be sufficient to finance all of our capital expenditures in the long run. In that event, it may be necessary for us to resort to additional external financing such as additional bank borrowings. Should we fail to obtain sufficient long-term financing in this respect, our capital structure, business, results of operations and financial position may be materially adversely affected.

Our profit level and margin are affected by our turnover mix and we may not be able to sustain our existing level of profit

We recorded gross profit margins of approximately 51.2%, 59.8%, 45.1% and 52.9% for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Factors including the change of the mix of our revenue sources, such as the proportion of properties sold and properties held for investment and the proportion of our residential and commercial properties sold, intensified market competition, failure to achieve sales targets and failure to negotiate volume discount with suppliers on favorable terms, may reduce our gross profit margin. Our gross profit margin in 2008 decreased by 14.7% as compared to that in 2007 and it increased by 7.8% in the six months ended June 30, 2009 compared to that in 2008. We cannot assure you that we can always maintain or increase our gross profit margin. In the event that we are unable to maintain or increase our gross profit margin, our profitability may be materially adversely affected. Please also see “— We may not always be able to obtain land reserves that are suitable for our model of project development” and “— We may be affected by the performance of third party contractors and prices of construction materials” below.

RISK FACTORS

We may not always be able to obtain land reserves that are suitable for our model of project development

We derive our revenue principally from the sale of properties that we have developed. Therefore we must maintain or increase our land reserves, each with sufficient size and appropriate scope of usage for our project model, in strategic locations at an appropriate pace in order to ensure sustainable business growth.

The PRC government controls the availability of land in China. The PRC government's land supply policies have a direct impact on our ability to acquire land use rights and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other measures. All these measures further intensify the competition for land in China among property developers.

In May 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism use, entertainment use and commodity housing development. On September 28, 2007, the Ministry of Land and Resources issued the revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale 《招標拍賣掛牌出讓國有建設用地使用權規定》, which further stipulated the legal and procedural requirements on public tender, auction or listing-for-sale of state-owned land use rights. The notice states that the PRC government may only grant state-owned land use rights for land to be used for industrial, commercial, tourism, entertainment and commodity property development purposes by means of public tender, auction or listing-for sale. The notice also requires that the land premium must be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. The PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves. Our business, results of operations and financial position may be materially adversely affected to the extent that we are unable to acquire suitable sites for our model of project development in strategic locations on a timely basis or at prices which will enable us to achieve reasonable returns.

We guarantee mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, domestic banks require us to guarantee our customers' mortgage loans. According to market practice, domestic banks require us to guarantee these mortgage loans until the issuance of the relevant property ownership certificates. As a result, such guarantees generally last between six months to one year before we deliver possession of the relevant properties to the purchasers, at which time such guarantees are released. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loan. In line with industry practice, we do not conduct any independent credit checks on our customers but rely on the credit evaluation conducted by the mortgagee banks.

RISK FACTORS

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees in respect of our customers' mortgage loans amounted to Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million, respectively. Should any material defaults occur and we are required to honor our guarantees, our business, results of operations and financial position may be materially adversely affected.

Our profitability and results of operations are impacted by the success of our business model

We focus primarily on the development of large-scale, multi-functional commercial complexes in second or third-tier cities in China with growth potential in accordance with urban planning by the local governments. Due to the nature of our business model, we are often one of the first property developers to enter into such markets. In particular, the success of our business model is dependent on, and could be directly affected by, the accuracy of our prediction of the local demand and economic growth of the cities where we have, or will have projects. Our success is also dependent on our managerial and operational resources, and capital contributions, as well as our knowledge of the spending habits of local consumers and their acceptance of large-scale, multi-functional commercial complexes. We cannot assure you that our business model will be successful in each of the cities that we enter. In the event that we fail to establish or expand our business model as much as anticipated, our business, reputation, results of operations and financial position may be materially adversely affected.

We cannot assure you that we will be able to successfully expand our business into other cities in China

We have historically focused on developing commercial and residential properties in Fujian Province. We intend to further expand into selected emerging cities in China with good growth potential through acquisitions of businesses and assets including equity interests in companies with suitable land reserves. Expansion may place substantial strain on our managerial, operational and financial resources. In addition, we have limited knowledge of the local conditions of these new property markets, less experience in property development in cities or regions where we did not have property developments as of the Latest Practicable Date. Furthermore, we may not have the same level of familiarity with contractors, business practices, regulations, customer preferences, behavior and spending patterns, which may put us in a less competitive position as compared to the local and more experienced national property developers. Any failure to leverage our experience or failure to understand the property market in any other PRC city which we target our expansion may have a material adverse affect on our business, reputation, results of operations and financial position.

We have limited insurance to cover our potential losses and claims

We may not carry comprehensive insurance against potential losses or damages with respect to our properties before their delivery to customers. We also do not carry insurance covering construction-related personal injuries. We believe that such liabilities should be borne by construction companies. In addition, we do not carry insurance for any liability arising from tortious acts committed or alleged to have been committed on work sites. We cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure.

RISK FACTORS

As of June 30, 2009, we had insurance coverage in respect of our completed properties in Fuzhou Powerlong City Plaza and Zhengzhou Powerlong City Plaza. In addition, we also had insurance coverage in respect of a number of our properties under development as required by our lending banks. For more information, please see the section entitled “Business — Insurance.” We cannot assure you that our commercial properties, upon completion, will be comprehensively insured. If we suffer from any losses, damages or liabilities in the course of our operations and property development arising from events for which we do not have insurance cover, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. The occurrence of any of the above events and the resulting payment we make to cover any losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

We may not be able to complete or deliver our development projects on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of our property projects typically take at least six months before they may generate positive cash flow through pre-sales or sales. The progress and costs for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolition of existing buildings;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- changes in government policies; and
- economic downturn and decrease in consumer sentiment in general.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may affect our results of operations and financial position and may also adversely affect our reputation in the industry. We cannot assure you that we will not experience any significant delays in the completion or delivery of our projects, or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our projects could have a material adverse effect on our business, results of operations and financial position.

Once a property project has passed the requisite completion acceptance inspections, we are required to deliver such completed properties to our customers within the time frame set forth in the sale and purchase agreements. We may become liable for monetary penalty to our customers for delays in property delivery in such circumstances. In addition, according to PRC law, property developers are typically required to deliver to purchasers the relevant individual

RISK FACTORS

property ownership certificates within 90 days after delivery of the property or within a time frame set forth in the relevant sale and purchase agreements. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval process. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months after the receipt of the certificates of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. We are then required to submit within regulated periods after delivery of the properties, the relevant sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased. Delay by the various administrative authorities in reviewing the relevant applications and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We may become liable for monetary penalty to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval process or for any other reason beyond our control. We cannot assure you that such delays will not occur with respect to our property projects in the future, which could have a material adverse effect on our business, results of operations and financial position.

Our Controlling Shareholders have substantial control over our company and their interests may not be aligned with the interests of our other shareholders

Our Controlling Shareholders will remain our controlling shareholders with substantial control over our issued share capital. Accordingly, subject to our memorandum and articles of association and the Cayman Companies Law, Hoi Kin Hong, by virtue of his controlling beneficial ownership of our share capital as well as his position as the Chairman of our Board, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other shareholders by voting at the general meetings of shareholders or at the Board meetings, including:

- election of Directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Articles of Association.

The interests of our Controlling Shareholders may differ from the interests of other shareholders and they are free to exercise their votes according to their interests. Our Controlling Shareholders have given an undertaking in the Deed of Non-competition that they and affiliates controlled by them will not engage in property development businesses that may

RISK FACTORS

compete with us; provided, however, that they may continue to engage in the property development projects as specified in the Deed of Non-competition. Under such circumstances, to the extent the interests of the Controlling Shareholders conflict with the interests of other shareholders, the interests of other shareholders can be disadvantaged and harmed. For more information on the Deed of Non-competition, please see the section entitled “Relationship with our Controlling Shareholders — Deed of Non-competition” in this document.

We may be affected by the performance of third party contractors and prices of construction materials

We employ third party contractors to carry out various works, including design, construction, equipment installation, internal decoration, landscaping, electro-mechanical engineering, pipeline engineering and lift installation. We select third party contractors mainly through a tender or a privately negotiated selection process. We cannot guarantee that any such third party contractor will provide satisfactory services and at the required quality level. In addition, we may not be able to engage sufficient quality third party contractors in the cities which we plan to expand into. Moreover, completion of our property developments may be delayed and we may incur additional costs due to a contractor’s financial or operational difficulties. The contractors may undertake projects from other developers; engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs. The services rendered by any of these independent contractors may not always be satisfactory or match our requirements for quality. Any of these factors could have a negative impact on our reputation, business, results of operations and financial position.

In addition, substantially all of the costs of construction materials, whether procured by ourselves or by the contractors, were accounted for as part of the contractor fees upon settlement with the relevant contractors. However, if the cost of construction materials increase beyond our expectation, the contractors may request to transfer such increase in costs of construction materials to us and to increase the contractor fees. In the event there is a material increase in construction costs, our business, results of operations and financial position may be materially adversely affected.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, scope of usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose fines or other penalties. Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment fine calculated on a per-day basis or other penalties.

As a result of the recent global economic slowdown and turmoil in the global financial markets that started in the second half of 2008, we scaled back our property development plans and postponed the construction schedules of our properties under development and held for future development to mitigate the impact of the global financial crisis, reduce our operating risks and maintain a healthy cash flow. The changes in our property development plans have led to a delay in the payment of land premium in respect of certain of our projects. As of June 30, 2009, we had overdue land premium with respect to Luoyang Powerlong City Plaza, Xinxiang

RISK FACTORS

Project, Licang Project, Yancheng Project and Yantai Project amounting to Rmb 44.8 million, Rmb 133.3 million, Rmb 110.6 million, Rmb 256.6 million and Rmb 45.0 million, respectively, which we had not paid in accordance with the underlying land grant contracts. The total site area with respect to which we had not paid the overdue land premium was 605,793 square meters, or 18.3%, of the total site area of our property projects under development and held for future development as of June 30, 2009.

In August and September 2009, we entered into supplemental agreements with the respective local land resources bureaus of the cities in which these projects are located, under which the parties agreed to extend the payment dates for the overdue land premium. According to the new payment schedule for Luoyang Powerlong City Plaza, the overdue land premium will be settled in two installments by October 2009. As of the Latest Practicable Date, we had paid Rmb 22.0 million of land premium and still had unpaid land premium of Rmb 22.8 million in respect of this project. According to the new payment schedule for Yantai Project, the overdue land premium will be settled in two installments by the end of 2009. As of the Latest Practicable Date, we had paid Rmb 5.0 million of land premium and still had unpaid land premium of Rmb 40.0 million in respect of this project. According to the new payment schedule for Xinxiang Project, the overdue land premium is expected to be fully settled by December 15, 2009. According to the new payment schedules for the other two projects, the overdue land premium is expected to be fully settled by the end of 2009. We intend to finance these payments using a combination of our internal resources, bank borrowings. We cannot assure you that we will not have any overdue land premium in the future in relation to any new parcels of land we purchase, or that we will be able to enter into supplemental agreements with the local government authorities to postpone the payment dates for overdue land premium on terms acceptable to us, or at all. Under PRC laws and regulations, if we fail to reach a supplemental agreement to extend the payment dates for the overdue land premium, we may be required to pay a late payment fine or be subject to other penalties.

If we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land resources bureau may serve a warning notice on us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to reclamation by the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, notwithstanding that the commencement of the land development is in line with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than one-fourth of the total investment of the project and the development of the land has been suspended for over one year without government approval, the land will be treated as idle land. We cannot assure you that circumstances leading to reclamation or significant delays in development schedule will not arise in the future. If our land is subject to reclamation, we will not only lose the opportunity to develop property projects on such land, but may also lose all our past investments in the land, including land premium paid and development costs incurred.

We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we have acquired an interest

As of June 30, 2009, we had certain parcels of land in Yancheng City and Suqian City in Jiangsu Province, Qingdao City, Yantai City in Shandong Province and Xinxiang City in Henan Province, with a total site area of approximately 1,086,178 square meters, with respect to which we had not obtained the land use rights certificates. In connection with these land acquisitions, we are required to pay land premium in the aggregate of Rmb 1,971.3 million (including taxes).

RISK FACTORS

We expect to fully settle the outstanding land premium for the land parcels in 2011. These land parcels are currently categorized under our properties held for future development and represent approximately 32.8% of the total site area of our property projects under development and held for future development as of June 30, 2009. We had paid deposits (and other related fees) in connection with the acquisition of our land use rights of Rmb 1,066.8 million as of June 30, 2009. If we fail to obtain the land use rights certificates with respect to any of these parcels of land, we will not be able to proceed with our project development on the land. Furthermore, we may not be able to acquire replacement land on terms acceptable to us, or at all, which could have a material adverse effect on our business, results of operations, financial position and expansion prospects going forward.

We may bear demolition and resettlement costs associated with our property developments and such costs may increase

Currently, we do not have any land reserves in relation to which we are responsible for the demolition of existing buildings or resettlement of original residents. However, as we expand our business operations, we may engage in primary development provided that suitable opportunities exist. In such circumstance, it is likely that we will be required to compensate owners and residents of demolished buildings for their relocation and resettlement in accordance with the PRC urban housing demolition and relocation regulations. The compensation we will have to pay is calculated in accordance with formulae published by the relevant local authorities. These formulae take into account the location, type of building subject to demolition, local income level and many other factors. We cannot assure you, however, that these local authorities will not change or adjust their formulae from time to time without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect our cash flow, results of operations and financial position. In addition, if we fail to reach an agreement over the amount of compensation with any existing owner or resident, either we or such owner or resident may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting owners and residents may also refuse to relocate. This administrative process or such resistance or refusal to relocate may delay the timetable of our development projects or, in extreme cases, prevent their completion, and an unfavorable final ruling may result in us paying more than the amount the formulae call for. Any of these events could have a material adverse effect on our business, results of operations and financial position.

We may be deemed a PRC resident enterprise under the new PRC Corporate Income Tax Law and be subject to PRC taxation on our worldwide income

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the new PRC Corporate Income Tax Law that took effect on January 1, 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% corporate income tax rate as to their global income. Under the implementation regulations issued by the State Council relating to the new PRC Corporate Income Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents as is in our case. Although we

RISK FACTORS

are currently not treated as a PRC resident enterprise by the relevant tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC corporate income tax purposes and subject to the uniform 25% corporate income tax as to our global income. You should also read the risk factor entitled “— Dividends payable by us to our foreign investors gains on the sale of our Shares and may become subject to withholding taxes under PRC tax laws” below. If we are treated as such a PRC resident enterprise under PRC tax laws, we could face adverse tax consequences.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws

Under the new PRC Corporate Income Tax Law and its implementation regulations issued by the State Council, to the extent such dividends for earnings derived since January 1, 2008 are sourced within China, then PRC income tax at the rate of 10% is applicable to dividends payable by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realized on the transfer of the Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC “resident enterprise,” so we are not sure whether the dividends payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Shares, would be treated as income sourced within China and be subject to PRC tax. If we are required under the new tax law to withhold PRC income tax on our dividends payable to our foreign shareholders who are “non-resident enterprises,” or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC entities on a combined basis only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC entities are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC entities combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our debts or otherwise fund and conduct our business. Under the new PRC Corporate Income Tax Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid

RISK FACTORS

by PRC enterprises from their earnings derived since January 1, 2008 to “non-resident enterprises” (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) subject to any lower withholding tax rate as may be contained in any income tax treaty or agreement that China has entered into with the government of the jurisdiction where such “non-resident enterprises” were incorporated. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. If our Hong Kong subsidiaries are considered “non-resident enterprises” under the PRC tax law, any dividend that such Hong Kong subsidiaries receive from our PRC subsidiaries may be subject to PRC taxation at the 5% rate.

Several of our subsidiaries may not continue to enjoy tax benefits

Under the PRC laws and regulations in force before January 1, 2008, a company established in China was typically subject to a national corporate income tax at the rate of 33% on its taxable income. The local preferential enterprise taxation treatment of local income tax is within the jurisdiction of the local provincial authorities as permitted under the PRC tax laws relating to foreign-invested enterprises before January 1, 2008. The local tax authorities may decide whether to grant any tax preferential treatment to foreign-invested enterprises on the basis of local conditions. For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we paid corporate income tax of Rmb 44.0 million, Rmb 70.4 million, Rmb 77.5 million and Rmb 18.8 million, respectively. Our weighted average applicable PRC corporate income tax rates for the same periods were 32%, 29%, 26% and 25%, respectively. As Xiamen City is designated by the PRC government as a special economic zone in China, our Xiamen Registered Subsidiaries paid corporate income tax at a reduced rate of 15% prior to January 1, 2008. In March 2007, the National People’s Congress of China enacted a new PRC Corporate Income Tax Law, which became effective on January 1, 2008. The new tax law imposes an unified income tax rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain limited exceptions. According to the new PRC Corporate Income Tax Law, enterprises that are subject to an corporate income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years from January 1, 2008. As there is a five-year transition period to phase in the new 25% corporate income tax rate, the applicable corporate income tax rate applicable to our Xiamen Registered Subsidiaries was 18% in 2008 and will be 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. As our Xiamen Registered Subsidiaries are unable to continue to enjoy their past preferential tax treatment, our net profit may be adversely affected.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and image as well as the brand name and image of our corporate partners, including our anchor tenants, to attract potential customers to our commercial complexes. Any negative incident or negative publicity concerning us or our properties or any of our anchor tenants at our commercial complexes could adversely affect our reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently

RISK FACTORS

positive consumer experience in each of our commercial complexes, or if we are perceived to act in an unethical or socially irresponsible manner. As we are less well known in certain regions in China where we do not have property projects, any negative publicity and resulting decrease in brand value, and/or failure to establish our brand in these regions could have a material adverse effect on our business, results of operations and financial position.

We have relatively less experience in the high-quality hotel development business, which may adversely affect our results in that segment

We are developing three high-quality hotels in Suzhou City in Jiangsu Province, Qingdao City and Tai'an City in Shandong Province, to be operated by Sheraton Overseas Management Corporation (“Sheraton”). We may face considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of hotel visitors. In addition, we cannot assure you that there will be sufficient demand for additional high-quality hotel facilities in these locations. As we will rely on hotel management companies to manage our hotels, we may not be in a position to identify or resolve potential issues that may arise in relation to the hotels. If we fail in our efforts in the high-quality hotel development business, it may have a material adverse effect on our business, results of operations and financial position.

Our success depends on the continued services of our senior management team and other key personnel

Our success depends on the continued services provided by our executive Directors and members of our senior management team. Competition for such talented employees is intense in the PRC property development sector. We are very dependent on the Chairman of our Board, Hoi Kin Hong and our senior management members, including Hoi Wa Fong, Shih Sze Ni, Xiao Qing Ping, Au-Yeung Po Fung and Liu Xiao Lan. All of them have an average of 10 years of experience in the PRC property industry, with in-depth knowledge of various aspects of property development. If any core management team member leaves and we fail to find a suitable substitute, our business will be adversely impacted. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and future growth will be materially adversely affected.

Property owners may terminate our engagement as the provider of property management services which could materially adversely affect our business, results of operations and financial position

We provide after-sales property management services to the owners of our residential and commercial properties through our wholly owned property management subsidiaries, Hualong Property and Hualong Commercial and their respective subsidiaries. We believe that property management is an important part of our business and critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the home owners of a residential community of certain scale have the right to change the property management service provider upon the consent of a certain percentage of home owners. If home owners of the projects that we have developed choose to terminate our property management services, our reputation, business, results of operation and financial position if could have a material adverse effect on.

RISK FACTORS

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, tenants original residents, residents of surrounding areas, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in liabilities and cause delays to our properly developments. We may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of our projects. Any of the above could have a material adverse effect on our business, results of operations and financial position. During the Track Record Period, we were involved in certain legal or other disputes in the ordinary course of our business, including claims relating to our guarantees for mortgage loans provided to purchasers of our properties and contract disputes with purchasers and tenants of our properties.

The total GFA of some of our property developments may have exceeded the original authorized area and the excess GFA is subject to governmental approval and payment of additional land premium

When the PRC government grants land use rights for a piece of land, it will specify in the land grant contract the permitted use of the land and the total GFA that the developer may develop on the land. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant government authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. If we fail to obtain the required certificate of completion due to any such excess, we will not be allowed to deliver the relevant properties or to recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the sale and purchase agreements. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay the additional land premium and obtain the certificate of completion on a timely basis. Under relevant PRC laws and regulations, we may be required to pay additional amounts or take corrective actions with respect to any such non-compliant GFA before a certificate of completion can be issued in respect of the property development or before the general property ownership certificate can be issued. Any of the above could have a material adverse effect on our business, results of operations and financial position.

RISK FACTORS

RISKS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA

Our operations are subject to extensive governmental regulations, and in particular, we are susceptible to changes in policies related to the real estate industry in China

Our business is subject to extensive governmental regulations. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control of foreign exchange, taxation, financing available and foreign investment. These measures include raising benchmark interest rates of commercial banks, placing additional limitations on the ability of commercial banks to make loans to property developers, imposing additional taxes and levies on property sales and restricting foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of such policies. This refining and adjustment process may not necessarily have a positive effect on our operations and our future business development. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies and regulations in the future. If we fail to adapt our operations to new policies and regulations that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business prospects or cause us to incur additional costs, our business, results of operations and financial position may be materially adversely affected.

The PRC government may adopt further measures to slow down growth in the property sector

Along with the economic growth in China, investments in the property sector have increased significantly in the past few years. In May 2006, various PRC government authorities jointly issued the Opinions on Adjustment of Housing Supply Structure and Stabilization of Property Prices 《關於調整住房供應結構穩定住房價格的意見》 to reiterate existing measures and

RISK FACTORS

to introduce new measures to further curb fast increases in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small- to medium-size units and low-cost rental properties;
- requiring that at least 70% of the GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from this ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment to 30% of the purchase price of the underlying property unless the underlying property has a unit floor area of 90 square meters or less and the purchaser is buying the property as its own residence; and
- restricting the extension of loans and the grant of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties.

In September 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans 《關於加強商業性房地產信貸管理的通知》 to regulate further the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land use rights certificate, construction land use planning permit, construction planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premium;
- requiring banks to support funding needs of purchaser purchasing their first self-occupied flat, and to grant loans only to purchasers who have purchased flats which have been topped out;
- the minimum down payment for a self-occupied flat with a GFA of less than 90 square meters per unit shall not be less than 20%. The minimum amount of down payment for a self-occupied flat with a GFA of over 90 square meters per unit shall not be less than 30%. The minimum down payment payable by an individual who has obtained a mortgage to purchase the second (or more) flat shall not be less than 40%. The loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;
- commercial properties purchased with loans shall have been completed and passed the completion acceptance inspection; and

RISK FACTORS

- for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use 《關於促進節約集約用地的通知》 with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice urges the full and effective use of existing construction land and the preservation of farming land. The notice also emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium. The notice further urges financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice states that the relevant government authorities will formulate and issue further rules and regulations on such requirements.

The various restrictive measures taken by the PRC government to curtail the growth of the property sector may limit our access to capital resources, reduce market demand and increase our operating costs in adapting to these measures. On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Individual Commercial Housing Loans 《關於擴大商業性個人住房貸款利率下浮幅度有關問題的通知》. In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》. Although these two regulations encouraged the purchase of individual housing, we cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China.

Any limitations on our access to capital, increases in our operating costs or decrease in property development growth in China resulting from existing or future measures could have a material adverse effect on our business, results of operations and financial position.

Changes of PRC laws and regulations with respect to pre-sale may adversely affect our cash flow position and business performance

We depend on cash flows from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their developments. In August 2005, PBOC issued a report entitled “2004 Real Estate Financing Report,” in which it recommended the discontinuation of the practice of pre-selling uncompleted properties as it creates significant market risks and generates transactional irregularities. This and other PBOC recommendations have not been adopted by the PRC government. However, we cannot assure you that the PRC government will not adopt such recommendations and abolish the practice of pre-selling uncompleted properties or implement further restrictions on property pre-sale, such as imposing

RISK FACTORS

additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. Any such measures will materially adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project developments.

In addition, we make certain undertakings in our sale and purchase agreements including obtaining the requisite completion acceptance inspection certificates for the properties and delivering completed properties and property ownership certificates to the customers within the period stipulated in the sale and purchase agreements. These sale and purchase agreements and PRC laws and regulations provide for remedies for breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the sale and purchase agreements and claim compensation. We cannot assure you that we will not experience significant delays in the completion and delivery of our projects which could have a material adverse effect on our business, results of operations and financial position.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

In accordance with the provisions of the PRC Provisional Regulations on Land Appreciation Tax and their implementation rules, all persons including companies and individuals that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the land and improvements on such land, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible expense items as defined in the relevant LAT regulations. In October 2008, as a part of the PRC governmental measures to mitigate the recent global economic slowdown, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjustments to Taxation on Real Estate Transactions to temporarily exempt sales of residential properties by individual owners from LAT. Sales of luxury residential properties and commercial properties are not eligible for such exemption.

The State Taxation Bureau clarified the settlement of LAT to some extent in its Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題的通知》 effective from February 1, 2007. The notice clarifies that provincial and local tax authorities may formulate their own implementation rules and determine how LAT will be settled in their jurisdictions. During the Track Record Period, our project under development in Fujian Province and Shandong Province were subject to LAT calculated at progressive rates ranging from 30% to 60% of the appreciated value of the land and improvements on such land, while our projects under development in Henan Province, Anhui Province and Jiangsu Province were subject to LAT which was calculated based on a fixed rate (ranging from 0.5% to 3.5%) of the proceeds from sales of the properties, depending on the city where the relevant project company was located and the types of properties under development, in accordance with the taxation methods approved by the local tax authorities. Our PRC legal counsel, Jingtian & Gongcheng, has confirmed that, during the Track Record Period, we were in compliance with the relevant PRC tax laws in using the respective taxation methods to calculate LAT for these projects as such methods were approved by the local tax authorities, which are authorized to adopt and implement the taxation methods in determining LAT liabilities in their jurisdictions pursuant to the above-mentioned notice issued

RISK FACTORS

by the State Tax Bureau. For a more detailed description of the PRC regulations on LAT please see the section entitled “Taxation — Mainland China Taxation — Our operations in mainland China — Land appreciation tax” in Appendix V to this document.

We have been prepaying LAT with reference to our pre-sale proceeds according to the relevant regulations of the local PRC government in jurisdictions where we have operations. Such LAT prepayments are recorded as a part of “prepaid taxes” on our consolidated balance sheets. We also made LAT provision of Rmb 73.6 million, Rmb 199.4 million, Rmb 3.9 million and Rmb 144.1 million during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. In 2008, our project companies in Jiangsu Province and Anhui Province obtained approvals from their respective local tax authorities for the calculation of LAT based on a fixed rate (ranging from 0.5% to 3.5%) of the proceeds from the sales of the properties instead of the progressive rate (ranging from 30% to 60%) of the appreciated land value. Accordingly, LAT provisions for the properties we completed and delivered in 2008 were significantly lower than those in 2007. In addition, certain amount of LAT provisions made in 2007 based on the progressive rate of the appreciated land value were reversed in 2008, which also resulted in much lower LAT provisions in 2008 as compared to 2007. For more information, please see the section entitled “Financial Information — Results of Operations — 2008 compared to 2007 — Income tax.” Provisions for unsettled LAT liabilities are recorded as a part of “income tax payables” on our consolidated balance sheets. However, we cannot assure you that our LAT provision will be sufficient to cover our past LAT liabilities. We also cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities. Our financial position may be materially adversely affected if our LAT liabilities as finally calculated by the relevant tax authorities are substantially higher than our LAT provisions.

We may not be able to obtain qualification certificates

As a precondition to engage in real property development in China, a company must obtain a qualification certificate and renew it on an annual basis. According to the PRC regulation on qualification of property developers issued in 2000, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for not more than two years under renewal. If, however, a newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Furthermore, established developers must also apply for renewal of their qualification certificates on an annual basis. Government regulations mandate that developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We develop all of our properties through project companies. These project companies must also hold valid qualification certificates to be able to conduct their businesses. We cannot assure you that we and our project companies will continue to be able to extend or renew the qualification certificates. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. Any of the above could have a material adverse effect on our business, results of operations and financial position.

RISK FACTORS

The terms on which mortgage loans are available, if at all, may affect our sales

Most purchasers of our properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under current PRC laws and regulations, purchasers of residential properties with a unit floor area of less than 90 square meters generally must pay at least 20% of the purchase price of the properties before they can finance their purchases through mortgages. Since May 2006, the PRC government has increased the minimum amount of down payment to 30% of the purchase price for first-time home owners if such property has a unit floor area of 90 square meters or more. In September 2007, the PRC government stipulated that for second-time home buyers that use mortgage financing, the PRC government-sanctioned minimum down payment has increased to 40% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark interest rate.

For commercial property buyers, banks are only allowed to finance the purchase of properties which have been completed and passed the completion acceptance inspection. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In October 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Individual Commercial Housing Loans 《關於擴大商業性個人住房貸款利率下浮幅度有關問題的通知》. Pursuant to the notice, the minimum down payment for home buyers was reduced to 20% of the purchase price, with the minimum mortgage loan interest rate adjusted to 70% of the relevant PBOC benchmark interest rate. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our cash flow, business, results of operations and financial position could be adversely affected.

In line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which could materially adversely affect our cash flow, business, results of operations and financial position. We cannot assure you that changes in laws, regulations, policies or practices which may prohibit or restrict property developers from providing guarantees to banks in respect of mortgages offered to property purchasers will not occur in China in the future.

RISK FACTORS

Intensified competition may adversely affect our business and our financial position

In recent years, many competitors, including overseas property developers and operators, and large-scale commercial facility operators have entered the property development markets in regions of China where we have operations. Many of them may have more financial or other resources than us and may be more sophisticated than we are in terms of engineering and technical skills. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of government approvals, and higher costs to attract or retain talented employees. Moreover, property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If we fail to compete effectively, our business, results of operations and financial position will suffer.

Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability

We are subject to extensive and increasingly stringent environmental protection laws and regulations that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by the central, provincial or municipal government of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations.

We have not adopted additional environmental protection measures other than the measures generally taken in the ordinary course of business by companies in the industry. These measures include conducting environmental assessments on our property construction projects, hiring construction contractors who have good environmental protection and safety track record and requiring them to comply with the relevant laws and regulations on environmental protection and safety. We require them to use construction materials and construction methods that meet the requirements of such laws and regulations, undertake final clean up of the construction site, limit work hours for noisy construction activities and manage quality of residual soil. In addition, there is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet the expectations of the society, our reputation may be damaged or we may even be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO CHINA

Changes in PRC political and economic policies and conditions could adversely affect our business and prospects

China has been, and will continue to be, our primary operating base and currently most of our assets are located in China. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy since 1978, a substantial part of the PRC economy is still being operated under various controls of the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable

RISK FACTORS

direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, that the government believed to be overheating, such as raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits. Our business prospects and results of operations may be materially adversely affected by changes in the PRC economic and social conditions and by changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

Changes in foreign exchange and foreign investment regulations in China may adversely affect our ability to invest in China and the ability of our subsidiaries to pay dividends and service debts in foreign currencies

Renminbi is not a freely convertible currency at present. We currently receive substantially all of our revenues in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Changes in PRC laws and regulations on foreign exchange may result in uncertainties in our financing and operating plans in China. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions, payment of dividends and service of foreign debts. Under existing PRC foreign exchange regulations, payments of current-account items, including profit distributions, interest payments and operation-related expenditures, may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions. Strict control applies to capital account transactions. Pre-approval or registration is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay for capital expenses. Changes in PRC foreign exchange policies may have a negative impact on the ability of our PRC subsidiaries to service its foreign currency denominated indebtedness and to distribute dividends to us in foreign currencies.

We have the choice of investing our net proceeds in the form of registered capital or a shareholder loan into our operating foreign-invested subsidiaries for property developments. Our choice of investment is affected, however, by the relevant SAFE regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our foreign-invested subsidiaries in China is subject to approval by PRC government authorities in case of an increase in registered capital, or subject to registration with PRC government authorities in case of a shareholder loan. These limitations on the cash flow between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

RISK FACTORS

PRC laws and regulations involve many uncertainties and the current legal environment in China could have a negative impact on our business and/or limit the legal protections available to you

Our core business is conducted in China and our principal operating subsidiaries are located in China. As such, they are subject to PRC laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior cases have little precedent value in deciding subsequent cases in the civil law legal system. Additionally, such PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and overall economic orders of the country. China has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. All these uncertainties may limit the legal protections available to foreign investors including you.

The national and regional economies in China and our prospects may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu (H5N1)

Some regions in China, including the cities where we operate, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as influenza A (H1N1) and avian flu (H5N1), especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially adversely affect our business, results of operations and financial position.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC property development industry contained in this document

Facts, forecasts and other statistics in this document relating to China, the PRC economy and the PRC real estate industry have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, or any of our respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts, forecasts and statistics in this document may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as

RISK FACTORS

the case may be) in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC real estate industry contained in this document.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in mainland China or to enforce against them in mainland China any judgments obtained from non-PRC courts

Almost all of our executive Directors and executive officers reside within mainland China, and substantially all of our assets and substantially all of the assets of those persons are located within mainland China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside mainland China or to enforce against us or them in mainland China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, recognition and enforcement in mainland China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

DIRECTORS

DIRECTORS

Name	Address	Nationality
Executive Directors		
HOI Kin Hong (許健康)	32nd Floor, Powerlong Center 305 Jiahe Road, Xiamen City China, 361012	Macau, China
HOI Wa Fong (許華芳)	32nd Floor, Powerlong Center 305 Jiahe Road, Xiamen City China, 361012	Macau, China
XIAO Qing Ping (肖清平)	M-11th Floor, Powerlong Center Phase I 305 Jiahe Road, Xiamen City China, 361012	China
SHIH Sze Ni (施思妮)	32nd Floor, Powerlong Center 305 Jiahe Road, Xiamen City China, 361012	Hong Kong, China
LIU Xiao Lan (劉曉蘭)	Room 603, Block 7 No. 197 Hu Bin Bei Road Si Ming District Xiamen City China, 361012	China
Non-executive Directors		
HOI Wa Fan (許華芬)	Room B, 17/F, Ocean Garden Vai Yan, Taipa, Macau	Macau, China
Independent Non-executive Directors		
NGAI Wai Fung (魏偉峰)	26A Wah Shan Mansion 17 Tai Koo Shing Road Quarry Bay, Hong Kong	Hong Kong, China
MEI Jian Ping (梅建平)	10, Landing Lane, Princeton New Jersey, 08550 United States of America	United States
NIE Mei Sheng (聶梅生)	Room 1001, Zhongkun Building 59 Xiejie Street, Gaoliang Qiao Haidian District Beijing, China	China

CORPORATE INFORMATION

Headquarters in China	3rd Floor Powerlong Center 305 Jiahe Road Xiamen City, Fujian Province China
Place of business in Hong Kong	Level 28 Three Pacific Place 1 Queen's Road East Wanchai, Hong Kong
Company secretary	Au-Yeung Po Fung (歐陽寶豐) <i>CPA, CFA, ACCA</i>
Authorized representatives	Hoi Wa Fong 32nd Floor, Powerlong Center 305 Jiahe Road Xiamen City, China Au-Yeung Po Fung Flat C, 15/F, Rowen Court 25 Babington Path Mid Levels Hong Kong
Board audit committee	Ngai Wai Fung (<i>Chairman</i>) Mei Jian Ping Nie Mei Sheng
Board remuneration committee	Hoi Wa Fong (<i>Chairman</i>) Mei Jian Ping Nie Mei Sheng
Board nomination committee	Hoi Kin Hong (<i>Chairman</i>) Mei Jian Ping Nie Mei Sheng
Compliance advisor	WAG Worldsec Corporate Finance Limited 6th Floor, New Henry House 10 Ice House Street Central, Hong Kong
Principal share registrar	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands

CORPORATE INFORMATION

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Principal bankers

Industrial and Commercial Bank of China Limited
ICBC Building
No. 17 Hubinbei Road
Xiamen, Fujian
China

The Bank of East Asia (China) Limited
Ground Floor, Huicheng Commercial Complex
No. 837 Xiahe Road
Xiamen, Fujian
China

Bank of China Limited
No. 136 Wusi Road
Fuzhou, Fujian
China

Agricultural Bank of China
No. 55 Jiefangbei Road
Wuxi, Jiangsu
China

Huishang Bank
No. 155, Zhongrong Street
Bengbu, Anhui
China

Chinese Mercantile Bank
Dongfeng Building
No. 2010 Shennanzhong Road
Shenzhen, Guangzhou
China

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below from various official government publications and the market research report JLL prepared for us as described below. While we have taken reasonable care in the extraction, compilation and reproduction of information and statistics from official government publications, neither we nor any of our respective affiliates or advisors, nor any party involved have independently verified such information and statistics directly or indirectly derived from official government publications or make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

We have engaged JLL, an independent and qualified market research consulting firm, to conduct a detailed analysis of the property markets in Fuzhou, Qingdao, Zhengzhou, Taicang, Wuxi, Tai'an, Luoyang, Bengbu, Haiyang, Suqian, Xinxiang, Yancheng and Changzhou, covering residential and retail markets. Based on its analysis, JLL prepared a market research report which consists of:

- an overview of the economy in the regions in which we operate;
- an overview of the characteristics of residential and retail sectors in the markets in which we operate; and
- the historical trends of demand.

JLL is a reputable and leading property and corporate facility management services provider in the world with 225 years of experience in the provision of property market research consultancy services.

The market research report which JLL has prepared was based on various official government publications, numerous site visits and interviews, as well as the data base of CEIC Data Company Ltd. (“CEIC”). CEIC is a financial information services company which specializes in providing economic research in relation to emerging and developed markets. CEIC is an independent third party to us. We have included certain information from the market research report of JLL in this section so as to provide our potential investors with a more comprehensive presentation of the industry in which we operate. In connection with the market research services provided, we have paid a fee of approximately Rmb 1.7 million to JLL.

CHINA OVERALL

China's economy has been growing strongly since the implementation of an open door policy in 1978. China's accession to the World Trade Organization in 2001 has further accelerated the reform and growth of the PRC economy.

INDUSTRY OVERVIEW

The table below sets forth selected economic statistics for China for the years indicated:

	2002	2003	2004	2005	2006	2007	2008	First half of 2009	CAGR ¹ (2002– 2008)
Urban Population (million) . . .	502.1	523.8	542.8	562.1	577.1	593.8	606.7	N/A	3.2%
Total Population (million) . . .	1,284.5	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	N/A	0.6%
Nominal GDP (Rmb billion) . .	12,033.3	13,582.3	15,987.8	18,321.8	21,192.4	25,730.6	30,067.0	13,986.2	16.5%
Nominal GDP per Capita (Rmb)	9,398	10,542	12,336	14,053	16,165	19,524	22,698	N/A	15.8%
Urban Consumer Expenditure per Capita (Rmb)	6,029.9	6,510.9	7,182.1	7,942.9	8,696.6	9,997.5	11,242.9	N/A	10.9%
Total Savings of Urban Households (Rmb billion)	7,150.5	8,544.0	9,878.9	11,644.5	13,278.2	13,948.4	N/A	N/A	14.3% ²
Investment in Real Estate (Rmb billion)	779	1,015	1,316	1,591	1,942	2,529	3,058	1,451	25.6%

Source: National Bureau of Statistics of China, PBOC, CEIC

Before the global financial crisis, which caused the global economy to enter into recession in late 2008, China experienced substantial growth in its annual real GDP from 2003 to 2007, and for the first half of 2008 (10.4% year-on-year)³. Between 2003 and 2007, China’s real GDP increased at an average annual growth rate of approximately 11.0%, making China one of the fastest growing major economies in the world. However, in the second half of 2008 China’s economy slowed down, expanding only 9.0% year-on-year due to the general global financial crisis.

In the second quarter of 2009, China’s economy regained its growth momentum due to the PRC central government’s Rmb 4 trillion stimulus package. Its real GDP in the second quarter of 2009 was 7.9% year-on-year compared to 6.1% year-on-year in the first quarter of 2009. For the first half of 2009, China’s real GDP increased by 7.1% year-on-year³. As shown in the table below, the cities where the Company has interests were, in general, enjoying higher growth rates than the PRC national average real GDP growth in recent years. This situation remained unchanged in the first half of 2009 (for cities where such data is available as of the Latest Practicable Date).

¹ Compound Annual Growth Rate (CAGR) is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

² CAGR for Total Savings of Urban Households is for the period from 2002 to 2007.

³ Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

The table below sets forth the nominal GDP and the real GDP year-on-year growth rate for China and cities in which the Company’s projects are located for the periods indicated:

	2002		2003		2004		2005		2006		2007		2008		First half of 2009	
	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)	Nominal GDP (Rmb billion)	Real Growth rate (%)
China	12,033.3	9.1	13,582.3	10.0	15,987.8	10.1	18,321.8	10.4	21,192.4	11.7	25,730.6	13.0	30,067.0	9.0	13,986.2	7.1
Fuzhou	101.2	10.2	116.2	13.6	133.5	12.7	147.6	9.6	165.7	12.3	197.4	15.1	228.4	13.0	99.8	9.8
Qingdao	151.8	14.6	178.0	15.9	216.4	16.8	269.6	16.9	320.7	15.7	378.7	16.0	443.6	13.2	228.2	10.5
Zhengzhou	92.8	11.0	107.4	14.8	133.5	15.7	166.1	16.0	201.4	16.0	248.7	15.9	300.4	12.2	152.4	7.3
Taichang	18.0	14.0	21.0	14.0	24.8	13.5	29.5	16.1	36.7	23.0	44.0	18.5	52.8	14.6	29.1	11.6
Wuxi	153.4	13.1	183.3	15.4	225.1	17.4	280.5	15.1	330.1	15.3	385.9	15.3	442.0	12.4	230.2	10.4
Tai'an	51.5	13.9	60.4	16.1	73.2	16.4	85.6	17.2	101.8	16.5	122.6	16.1	151.3	13.4	N/A	N/A
Luoyang	53.5	11.0	68.6	16.6	90.5	16.2	111.2	15.1	133.3	15.7	159.5	16.2	192.0	14.4	89.6	9.7
Bengbu	20.2	10.9	22.1	6.6	28.2	18.5	31.2	10.4	34.7	12.5	41.0	13.5	48.6	11.0	24.2	10.6
Haiyang	5.8	17.2	6.9	17.5	8.3	16.1	10.1	18.1	12.0	15.8	14.3	16.6	18.2	16.1	9.3	12.0
Suqian	24.7	11.5	27.8	12.1	33.6	13.8	38.7	14.5	45.4	15.0	54.2	15.2	60.5	13.3	N/A	N/A
Xinxiang	33.3	10.0	36.9	13.5	45.0	14.6	54.4	14.1	64.0	14.5	77.8	16.0	94.9	13.9	N/A	N/A
Yancheng	62.7	11.4	69.6	13.0	82.0	14.0	100.5	14.3	117.4	15.1	136.8	15.0	160.3	13.2	N/A	N/A
Changzhou	76.1	12.4	90.1	14.5	110.1	15.5	130.3	15.1	156.9	15.2	188.1	15.6	220.2	12.4	116.7	10.7

Source: National Bureau of Statistics of China, Statistical Bureaus of the PRC cities included in the table, CEIC

The table below sets forth the Nominal GDP per capita and their year-on-year growth rate for the periods indicated.

	2002		2003		2004		2005		2006		2007		2008		First half of 2009	
	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)	Nominal GDP per capita (Rmb)	Growth rate (%)
China	9,398	9.0	10,542	12.2	12,336	17.0	14,053	13.9	16,165	15.0	19,524	20.8	22,698	16.3	N/A	N/A
Fuzhou	16,901	6.7	17,695	4.7	20,292	14.7	22,301	9.9	24,841	11.4	29,318	18.0	33,615	14.7	N/A	N/A
Qingdao	20,655	13.9	23,986	16.1	28,540	19.0	33,188	16.3	38,892	17.2	45,399	16.7	52,677	16.0	N/A	N/A
Zhengzhou	13,604	10.3	15,507	14.0	18,995	22.5	23,320	22.8	27,956	19.9	34,063	21.8	40,617	19.2	N/A	N/A
Taichang	40,096	14.0	46,644	16.3	54,815	17.5	64,679	18.0	64,411	-0.4	70,590	9.6	79,449	12.5	N/A	N/A
Wuxi	35,087	14.9	41,616	18.6	50,592	21.6	50,958	0.7	57,719	13.2	65,212	13.0	73,053	12.0	N/A	N/A
Tai'an	9,458	14.4	11,043	16.8	13,341	20.8	15,547	16.5	18,872	21.4	22,617	19.8	27,794	22.9	N/A	N/A
Luoyang	8,489	14.3	10,823	27.5	14,204	31.2	17,486	23.1	20,979	20.0	25,120	19.7	30,080	19.7	N/A	N/A
Bengbu	5,896	10.5	6,425	9.0	8,145	26.8	8,975	10.2	9,876	10.0	11,577	17.2	13,632	17.8	N/A	N/A
Haiyang	8,462	N/A	10,195	20.5	12,285	20.5	15,830	28.9	17,950	13.4	21,530	19.9	N/A	N/A	N/A	N/A
Suqian	4,826	10.3	5,400	11.9	6,462	19.7	7,399	14.5	9,233	24.8	11,178	21.1	12,289	9.9	N/A	N/A
Xinxiang	6,139	9.5	6,763	10.1	8,209	21.4	9,876	20.3	11,557	17.0	14,095	22.0	16,955	20.3	N/A	N/A
Yancheng	7,884	9.3	8,739	10.8	10,427	19.3	12,849	23.2	15,177	18.1	18,000	18.6	21,233	18.0	N/A	N/A
Changzhou	22,215	12.7	26,149	17.7	31,665	21.1	31,997	1.0	37,435	17.0	43,695	16.7	50,283	15.1	N/A	N/A

Source: National Bureau of Statistics of China, Statistics Bureaus of the PRC cities included in the table, CEIC

Note: Nominal GDP Per Capita for—

Fuzhou is based on registered population for the period from 2002 to 2003 and based on resident population for the period from 2004 to 2008. According to the Regulation of People’s Republic of China on Residence Registration 《中華人民共和國戶口登記條例》, registered population refers to the population with residence registration in the specific area, regardless whether they are living in the specific area on the reference date. According to the China Population and Development Research Centre, resident population refers to the number of persons living within a specific area at the reference point of time.

Qingdao, Bengbu, Haiyang, Suqian, Xinxiang and Yancheng are based on registered population.

INDUSTRY OVERVIEW

Zhengzhou and Tai'an are based on resident population.

Taicang and Luoyang are based on registered population for the period from 2002 to 2005 and based on resident population for the period from 2006 to 2008.

Wuxi and Changzhou is based on registered population for the period from 2002 to 2004 and based on resident population for the period from 2005 to 2008.

China's economic growth has been mainly driven by investment, private consumption and net exports. According to the National Bureau of Statistics of China, the share of GDP growth contributed by investment between 2002 and 2008 was on average 47.5%, while consumption expenditure contributed an average of 40.1%, with the remaining 12.4% being contributed by net exports over the period. The contraction in foreign demand in 2008 decreased the share of net exports to nominal GDP growth to only 9.2% as compared to 19.7% in 2007.

The table below shows the share of nominal GDP growth for the periods indicated:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2002– 2008 Average</u>
Consumption								
Expenditure (%)	43.6	35.3	38.7	38.2	38.7	40.6	45.7	40.1
Investment (%)	48.8	63.7	55.3	37.7	42.0	39.7	45.1	47.5
Net Export (%)	<u>7.6</u>	<u>1.0</u>	<u>6.0</u>	<u>24.1</u>	<u>19.3</u>	<u>19.7</u>	<u>9.2</u>	<u>12.4</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: National Bureau of Statistics of China, CEIC

REGULATORY DEVELOPMENT OF REAL ESTATE MARKETS IN CHINA

Since 2004, in order to prevent China's economy from expanding too rapidly and to achieve balanced and sustainable economic growth, the PRC government has implemented measures to control money supply, credit availability and fixed assets investment. The PRC government has also implemented measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government has introduced policies to restrict future development, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development with their own capital funds;

INDUSTRY OVERVIEW

- increasing the required reserve ratio of funds that a commercial bank must hold on deposit from 7.5% in the first half of 2006 to 17.5% in June 2008, effectively reducing the amount of money a bank is able to lend; and
- tightening regulations, governing mortgage lending and restricting approval of new large-scale development zones.

In April 2005, the Ministry of Construction and other relevant PRC government authorities jointly issued the Opinions on Stabilizing Property Prices followed by a set of new measures to tackle the overheating of the real estate industry. The new policies include:

- a business tax levy on the sales proceeds subject to the length of holding period and type of properties commencing from June 1, 2005;
- a ban on onward transfer of uncompleted properties;
- strict enforcement of the imposition of a land idle fee for land which has not been developed for one year or longer starting from the commencement date stipulated in the land grant contract and cancelation of land use rights for land idle for two years or longer;
- a stop order and cancelation for projects not in compliance with the planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

On May 24, 2006, the Ministry of Construction, NDRC, PBOC and other relevant PRC government authorities jointly issued the Opinions on Housing Supply Structure and Stabilization of Property Prices. Such opinions reiterated the existing measures and introduced new measures to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost, small- to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential project's GFA approved or constructed on or after June 1, 2006 must consist of units with a unit floor area (套型建築面積) of less than 90 square meters per unit and those projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property unless the underlying property is for self-residence and consists of a unit floor area of 90 square meters or less, effective from June 1, 2006;

INDUSTRY OVERVIEW

- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On May 30, 2006, the Ministry of Land and Resources published an urgent notice to tighten up land administration. In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also requires the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to it by the end of October 2006.

On July 11, 2006, the Ministry of Construction, the Ministry of Commerce, NDRC, PBOC, SAIC and SAFE jointly promulgated the Opinions on Foreign Investment in Property. Such opinions set out the regulations on the investment in properties in China by overseas entities or individuals other than for self-residence, including that:

- an overseas entity or individual investing in property shall apply for the establishment of a foreign-invested real estate enterprise ("FIREE") and shall only conduct operations within the authorized business scope;
- the registered capital of a FIREE with a total investment of US\$10 million or above shall not be less than 50% of its total investment amount;
- a newly established FIREE can only obtain an approval certificate and business license that is valid for one year. The approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government authorities after the land grant premium has been paid;
- an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic property enterprise by foreign investors, must first be approved by the Ministry of Commerce or its local counterpart. The foreign investors acquiring a domestic property enterprise through an equity transfer or acquiring equity interest from a Chinese partner in an equity joint venture shall pay the purchase price in one lump sum from its own capital;

INDUSTRY OVERVIEW

- if the registered capital of a FIREE is not fully paid up, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;
- the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau, Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On December 28, 2006, the State Administration of Taxation promulgated the “Circular Concerning the Settlement of the LAT Imposed on Real Property Developers” (the “Circular”). Pursuant to the Circular, effective from February 1, 2007, a real property developer is to settle the relevant LAT payment of its property development projects with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the authorities and for projects developed in different stages, and the LAT shall be settled in stages. LAT must be paid if a project meets any of the following requirements:

- the property development project has been completed and sold out;
- the entire uncompleted and unsettled development project is transferred; or
- the land use rights of the relevant project are transferred.

In addition, the competent tax authorities may require a property developer to settle the LAT in any of the following circumstances:

- for completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, and the remaining saleable GFA has been leased out or used by the developer;
- the project has not been sold out for more than three years after obtaining the sale or pre-sale permits;
- the developer applies for cancelation of the tax registration without having settled the LAT; or
- other conditions stipulated by the competent tax authorities.

The tax bureaus at the provincial level shall, taking into account of the local practical conditions, stipulate specific rules or measures in relation to the management of the LAT settlement in accordance with the Circular.

INDUSTRY OVERVIEW

In September 2007, the PBOC and the CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans 《關於加強商業性房地產信貸管理的通知》 to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land use rights certificate, construction land use planning permit, construction planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premium;
- requiring banks to support funding needs of purchaser purchasing their first self-occupied flat, and to grant loans only to purchasers who have purchased flats which have been topped out;
- the minimum down payment for a self-occupied flat with a GFA of less than 90 square meters per unit shall not be less than 20%. The minimum amount of down payment for a self-occupied flat with a GFA of over 90 square meters per unit shall not be less than 30%. The minimum down payment payable by an individual who has obtained a mortgage to purchase the second (or more) flat shall not be less than 40%. The loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;
- commercial properties purchased by loans shall have been completed and passed the completion acceptance inspection; and
- for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use 《關於促進節約集約用地的通知》 with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice urges the full and effective use of existing construction land and the preservation of farming land. The notice also emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium. The notice further urges the financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice informs that the relevant government authorities will formulate and issue further rules and regulations on such requirements.

INDUSTRY OVERVIEW

In July 2008, PBOC and CBRC issued a notice on Promoting Economical and Intensive Utilization of Land Through Financing 《關於金融促進節約集約用地的通知》. According to the requirement under the notice, real estate developers applying for loans from financial institutions by way of mortgage should have the legitimate land use rights certificates, the maximum amount of the mortgage offered by the financial institution should not be more than 70% of the assessed value of the collateral and the loan term should not exceed two years in principle.

On October 22, 2008, PBOC promulgated the Notice on Several Issues regarding the Expansion of Downward Floating Interest Rate for Individual Commercial Housing Loans 《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》 which provides that, effective from October 27, 2008, the minimum down payment for commercial individual housing loans is adjusted to 20% of the purchase price with the minimum mortgage loan interest rate adjusted to 70% of the relevant PBOC benchmark interest rate. The notice also provides that including:

- loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on a number of factors whether the borrower is a first time home buyer, whether the house is used for self-occupancy, whether the type of house and its GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity;
- financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for the purchase of their first ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may raise the loan conditions;
- as to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion of the loan, on the basis of reasonable assessment of loan risks and according to the original loan agreements. The down payment ratio under the original loan agreements shall remain effective; and
- the policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of such borrower's monthly income remains unchanged.

In December 2008, the General Office of the State Council released Several Opinions on Facilitating the Healthy Development of the Real Estate Market 《關於促進房地產市場健康發展的若干意見》, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties 《關於個人住房轉讓營業稅政策的通知》 to encourage the purchase of ordinary residential properties and support real estate development in response to market changes, including:

- effective between January 1, 2009 and December 31, 2009, business tax will be imposed according to the sale price on transfers of non-ordinary residential properties that occur within two years, instead of five years as required previously, from their purchase dates;
- for ordinary residential properties, business tax is exempted if they are transferred after two years from the purchase dates;
- for transfers of non-ordinary residential properties two years after their purchase dates and ordinary residential properties within two years of their purchase dates, business tax is levied on the balance between the relevant sale prices and purchase prices;

INDUSTRY OVERVIEW

- individuals with existing ordinary residential properties smaller than the average local ordinary residential property size may buy second ordinary residential properties with the favorable loan terms available to first-time buyers; and
- the government will provide support to real estate development to respond to changing market conditions, including increasing credit financing to “low-to-medium-priced” or “small-to-medium-sized” ordinary commodity housing projects, particularly those under construction, and providing financial support to real estate developers with good credit standing for merger and acquisition activities.

In May 2009, the State Council issued the Notice on Adjusting the Portion of Capital for Fixed Assets Investment 《國務院關於調整固定資產投資項目資本金比例的通知》. Under the notice, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other types of properties is adjusted from 35% to 30%.

For further details of the regulatory regime of the PRC property sector, please refer to “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document.

REAL ESTATE REFORM

Reform of the PRC property market did not commence until the late 1980s. Prior to such reform, the PRC real estate development industry was part of the nation’s centrally planned economy. In the 1990s, the PRC government initiated housing reforms that transformed China’s real estate and housing sector to a market-based system. A brief timeline of key housing reforms is set out below:

1988	The NPC amended the national constitution to permit the transfer of state-owned land use rights
1992	Public housing sales in major cities commenced
1994	The PRC government further implemented the reform and established an employer/employee-funded housing fund
	The PRC government issued a regulation regarding pre-sale of commodity housing in cities
1995	The PRC government issued regulations regarding the transfer of real estate, establishing a regulatory framework for real estate sales
1998	The PRC government abolished the state-allocated housing policy
1999	The PRC government extended the maximum mortgage term to 30 years
	The PRC government increased maximum mortgage financing from 70% to 80%
	The PRC government formalized procedures for the sale of real property in the secondary market

INDUSTRY OVERVIEW

- 2000 The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
- 2001 The PRC government issued regulations relating to sales of commodity properties
- 2002 The PRC government promulgated the Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale
- The PRC government eliminated the dual system for domestic and overseas home buyers in China
- 2003 The PRC government promulgated rules for more stringent administration of real estate financing for the purpose of reducing the credit and systemic risks associated with such financing
- The State Council issued a notice for sustained and healthy development of the real estate market
- 2004 The State Council issued a notice to require that real estate development projects (excluding affordable housing programs) be financed by developers themselves from their capital funds with respect to 35%, rather than 20%, of the total projected capital outlay for such projects
- The Ministry of Construction amended Administrative Measures on the Pre-sale of Commodity Housing in Cities
- CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk control of commercial banks over their real estate financing
- 2005 The PRC government instituted additional measures to discourage speculation in real properties such as increasing the minimum down payment to 30% of the total purchase price in some cities where the housing price increased too fast, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase and prohibiting resale of unfinished properties
- 2006 The PRC government implemented additional land supply, bank financing and other measures to curb fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry
- 2007 The PRC government issued regulations to increase the annual land use tax and also to impose such land use tax on foreign-invested enterprises

INDUSTRY OVERVIEW

The Ministry of Land and Resources issued instructions that land use rights certificates may not be issued unless and until all land premium has been paid with respect to the whole land lot under a land grant contract, which has effectively stopped the practice of issuing land use rights certificates in installments

2008 In late 2008, the PRC government implemented measures to encourage the purchase of ordinary residential housing, such as decreasing the minimum down payment to 20%, implementing preferential policies in relation to loan interest rate and providing business tax relief in relation to real property transfers

2009 The State Council issued a notice which provides that the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other types of properties is adjusted from 35% to 30%

For additional information on housing reforms and recent regulatory developments, see “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document.

Housing reforms, economic growth in China, emergence of the mortgage lending market and urbanization, are key factors in the growth and substantiality of China’s real estate market. These factors and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics of China, China’s urbanization rate, i.e., the proportion of the population residing in urban areas, rose from approximately 39.1% in 2002 to approximately 45.7% in 2008. Increases in the urban population of China will likely result in increases in demand for residential properties. The table below describes China’s urbanization rate for the periods indicated.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Urban Population (million)	502.1	523.8	542.8	562.1	577.1	593.8	606.7
Total Population (million)	1,284.5	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0
Urbanization Rate (%)	39.1	40.5	41.8	43.0	43.9	44.9	45.7

Source: National Bureau of Statistics of China, CEIC

GROWTH OF REAL ESTATE MARKETS

Demand for real estate in China has increased steadily over the past seven years. According to the National Bureau of Statistics of China, total sales of commercial buildings in China increased from about Rmb 603 billion in 2002 to about Rmb 2,407 billion in 2008. During the same period, the total GFA sold in China has increased from approximately 268.1 million square meters in 2002 to approximately 620.9 million square meters in 2008. Of the GFA sold in 2008, approximately 558.9 million square meters were residential properties, representing a

INDUSTRY OVERVIEW

decrease of approximately 20.3% over 2007; the relative decrease was partly due to the adverse impact of the global financial crisis on China's real estate market. Data for the aggregate residential GFA sold in the first half of 2009 is currently not available.

GFA Sold in China (2002 to the first half of 2009)

	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾
Total GFA Sold (sq.m. million)	268.1	337.2	453.6	554.9	618.6	773.5	620.9	341.1
Residential GFA Sold (sq.m. million)	237.0	297.8	397.2	495.9	554.2	701.4	558.9	N/A

Source: National Bureau of Statistics of China, CEIC

Note: (1) Represents preliminary data which is subject to change

According to the National Bureau of Statistics of China, the average price of overall properties sold in China increased from Rmb 2,250 per square meter in 2002 to Rmb 4,632 per square meter in the first half of 2009. During the same period, the average price of residential properties sold increased from Rmb 2,092 per square meter to Rmb 4,460 per square meter. The CAGR of residential prices between 2002 and 2008 was 9.7%, which was negatively affected by a mere 0.3% gain in 2008. However, the real estate market regained momentum in the first half of 2009 with average property price and average residential price surging by 19.5% and 22.0% from the end of 2008, respectively.

Average Property Prices in China (2002 to the first half of 2009)

	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾
Average Price of Properties (Rmb/sq.m.)	2,250	2,359	2,778	3,168	3,367	3,864	3,877	4,632
Average Price of Residential Properties (Rmb/sq.m.)	2,092	2,197	2,608	2,937	3,119	3,645	3,655	4,460

Source: National Bureau of Statistics of China, CEIC

Note: (1) Represents preliminary data which is subject to change

According to PBOC, the aggregate balance of outstanding mortgage loans for residential properties in China grew from approximately Rmb 825 billion in 2002 to approximately Rmb 2,980 billion in 2008, reflecting the nation's strong residential demand growth over recent years.

INDUSTRY OVERVIEW

The aggregate balance of outstanding residential mortgage loans escalated further to reach Rmb 3,860 billion at the end of the first half of 2009.

Housing Mortgage Loans in China (2002 to the first half of 2009)

	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Total Mortgage Loans Outstanding (Rmb billion)	825	1,178	1,600	1,840	2,250	2,764	2,980	3,860

Source: PBOC, CEIC

FUZHOU

Fuzhou, the capital city of Fujian Province, is located on the south-east coast of China. Fuzhou is the political, economic and cultural center of Fujian Province, and is also an important port for China. It is one of China’s largest cities, which is in close proximity to Taiwan. It consists of two sub-cities, six counties and five districts including Taijiang, Gulou, Cangshan, Mawei and Jin’an. Fuzhou covers a total land area of approximately 11,968 square kilometers and had a total registered population of approximately 6.4 million at the end of 2008.

The Fuzhou government invested heavily in the construction of railways and highways during the 10th Five-Year Plan period. A total of 160.5 kilometers has been added to the city’s highway system and the Wenzhou-Fuzhou and Fuzhou-Xiamen Railway lines are expected to be ready for operation by the end of 2009. The construction of a new metro system in Fuzhou has been approved with a total length of 55.3 kilometers. The construction of the first line, which connects Jin’an, Gulou, Taijiang and Cangshan, will commence in 2010 and is expected to be completed in 2014.

Under the 11th Five-Year Plan, the Fuzhou government aims to strengthen its industrial sector. Textile, electronics, automobile and component manufacturing are expected to form the pillar industries of Fuzhou. At the same time, the local government aims to increase the contribution by the services sector to Fuzhou’s economy. The key growth engines are expected to be logistics, commerce, real estate, tourism and finance.

After the removal of barriers between China and Taiwan’s direct transportation, trade and postal services in December 2008, the central government announced that it intends to speed up the development of the Western Straits Economic Zone in May 2009. The plan is to integrate the economies in the southern provinces with that of Taiwan’s economy; the initial efforts of which is expected to be the development of high-tech industrial parks, the establishment of outsourcing links across the Taiwan Strait, and the enlargement of the scope of investment from Taiwan.

INDUSTRY OVERVIEW

Local Planning

According to JLL, the local government plans to develop Taijiang into the new CBD of Fuzhou by redeveloping the areas alongside Chating Street adjacent to Gulou District in the current CBD. Fuzhou Powerlong City Plaza is just a five-minute drive from Chating Street.

The government plans to improve the area’s public infrastructure, including the re-zoning of some of the ex-manufacturing facilities to be used for commercial and public open space. JLL understands the ex-monosodium glutamate factory next to Fuzhou Powerlong City Plaza, for instance, is now planned to be redeveloped into a shopping mall with public green areas.

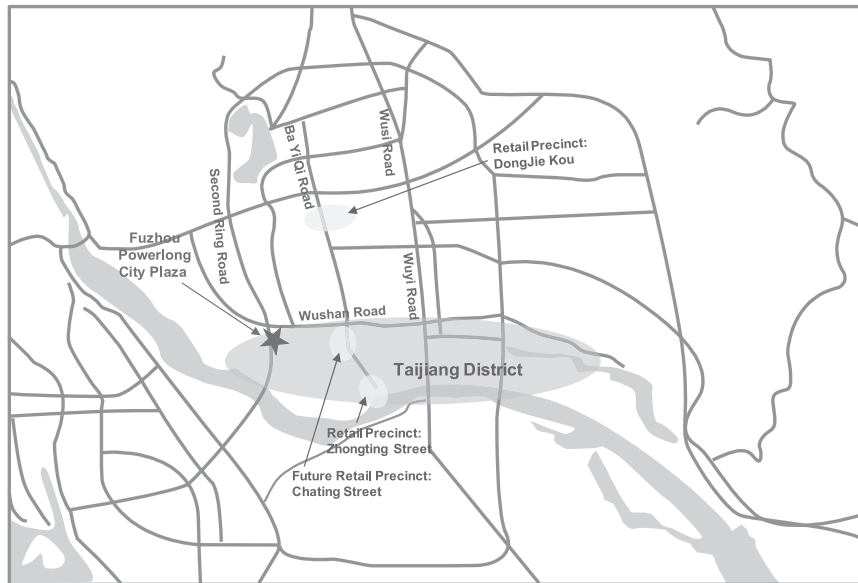
Fuzhou City Map



Source: JLL

INDUSTRY OVERVIEW

Fuzhou Retail Map



Source: JLL

Key Statistics

The table below sets forth key economic statistics for Fuzhou for the periods indicated:

Fuzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	101.2	116.2	133.5	147.6	165.7	197.4	228.4	99.8	14.5%
Real GDP Growth Rate (%) (year-on-year)	10.2	13.6	12.7	9.6	12.3	15.1	13.0	9.8	—
Nominal GDP per Capita (Rmb) ⁴	16,901	17,695	20,292	22,301	24,841	29,318	33,615	N/A	13.4% ⁵
Population (million) ⁶	5.98	6.05	6.09	6.15	6.23	6.30	6.38	N/A	1.0%
Urban Population (million)	1.58	1.66	1.71	1.76	1.82	1.86	1.87	N/A	2.8%
Urban Disposable Income per Capita (Rmb)	9,147	10,123	11,436	12,661	14,206	16,642	19,009	10,766	13.0%
Urban Consumer Expenditure per Capita (Rmb)	6,636	7,347	8,042	8,382	9,595	11,892	13,541	7,070	12.6%
Foreign Direct Investment (US\$ million)	1,202	1,302	1,360	1,600	1,621	1,702	2,130	985	10.0%
Retail Sales (Rmb billion)	43.1	49.1	58.0	66.3	77.6	94.1	113.4	63.8	17.5%
Total Tourist Arrivals (million)	7.3	7.5	8.3	8.3	8.2	8.6	9.4	N/A	4.3%

Source: Fuzhou Statistics Bureau, The Municipal Government of Fuzhou

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

⁴ Based on registered population for the period from 2002 to 2003 and based on resident population for the period from 2004 to 2008.

⁵ CAGR for the period 2004 to 2008.

⁶ Registered population.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the residential property⁷ market in Fuzhou for the periods indicated:

Fuzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009⁽¹⁾
Investment in Residential Real Estate (Rmb billion)	7.0	11.4	15.1	15.9	20.2	27.0	23.9	N/A
Residential GFA Completed (sq.m. million)	3.7	4.2	4.9	4.5	4.1	4.1	2.3	1.7
Residential GFA Under Construction (sq.m. million)	12.5	15.9	17.7	17.1	18.1	20.8	21.3	18.9
Residential GFA Sold (sq.m. million)	3.2	4.1	4.0	5.0	6.2	5.9	3.2	2.5
Average Price of Residential Properties (Rmb/sq.m.)	2,692	2,724	2,983	3,389	4,060	5,395	4,900	6,108

Source: Fuzhou Statistical Bureau, Fuzhou Housing Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the retail property⁸ market in Fuzhou for the periods indicated:

Fuzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail GFA Completed (sq.m.)	32,000	0	26,000	104,000	165,500	293,915	35,000	0
Average Rental Value of Retail Properties (Rmb/sq.m./month)	N/A	N/A	N/A	276	239	265	252	250

Source: JLL

Note: N/A = Data not Available

Project-specific Details

Fuzhou Powerlong City Plaza is located on Gongye Road in Taijiang District. Due to its proximity to the Second Ring Road, Fuzhou Powerlong City Plaza is easily accessible.

The retail portion of Fuzhou Powerlong City Plaza is one of the large-scale shopping malls in Fuzhou. It is part of a complex that comprises residential, retail and entertainment areas. It has a total GFA of 215,353 square meters, of which, the retail portion accounts for 156,909 square meters. The project's 33,274 square meters of residential space have all been sold.

⁷ Residential property includes commodity housing units which can be bought or sold and economic housing units.

⁸ Retail property includes major mid-to-high-end shopping malls, department stores and street shops located in the city's core and emerging retail areas.

INDUSTRY OVERVIEW

Before the first stage completion of Fuzhou Powerlong City Plaza in 2006, the retail facilities in Fuzhou were mainly department stores. Fuzhou Powerlong City Plaza is the first integrated shopping center providing a one-stop shopping and entertainment experience in Fuzhou. This is the first shopping mall in Fuzhou to comprise of a trade-mix of general retail, department store, supermarket, food and beverage and entertainment to serve different customer needs in the city. In particular, the center’s entertainment facilities (the first indoor children amusement park in Fuzhou and a cinema) have helped expand the catchment area of the district.

QINGDAO

A sub-provincial city, Qingdao is located in the southern part of the Shandong Peninsula in Shandong Province. Qingdao’s jurisdiction covers seven districts including Shinan, Shibei, Sifang, Licang, Laoshan, Chengyang and Huangdao and five county-level cities including Jiaozhou, Jiaonan, Jimo, Pingdu and Laixi. The urban areas of Qingdao are largely concentrated in the eastern side of Jiaozhu Bay near Laoshan, a well-known mountain in China and a popular tourist destination. A traditional port city, Qingdao lies on China’s eastern coast overlooking the Yellow Sea. Across the sea and to the east is the Korean Peninsula. The city occupies a total area of approximately 10,654 square kilometers. Qingdao is one of the most important economic centers in the Bohai Rim in northern China and was the host city for the 2008 Olympic Sailing Regatta.

The economy and the total registered population of Qingdao grew simultaneously. The registered population of Qingdao steadily increased by more than 420,000 between 2002 and 2008, representing a growth of approximately 5.8%. The city had a total registered population of 7.6 million as of the end of 2008.

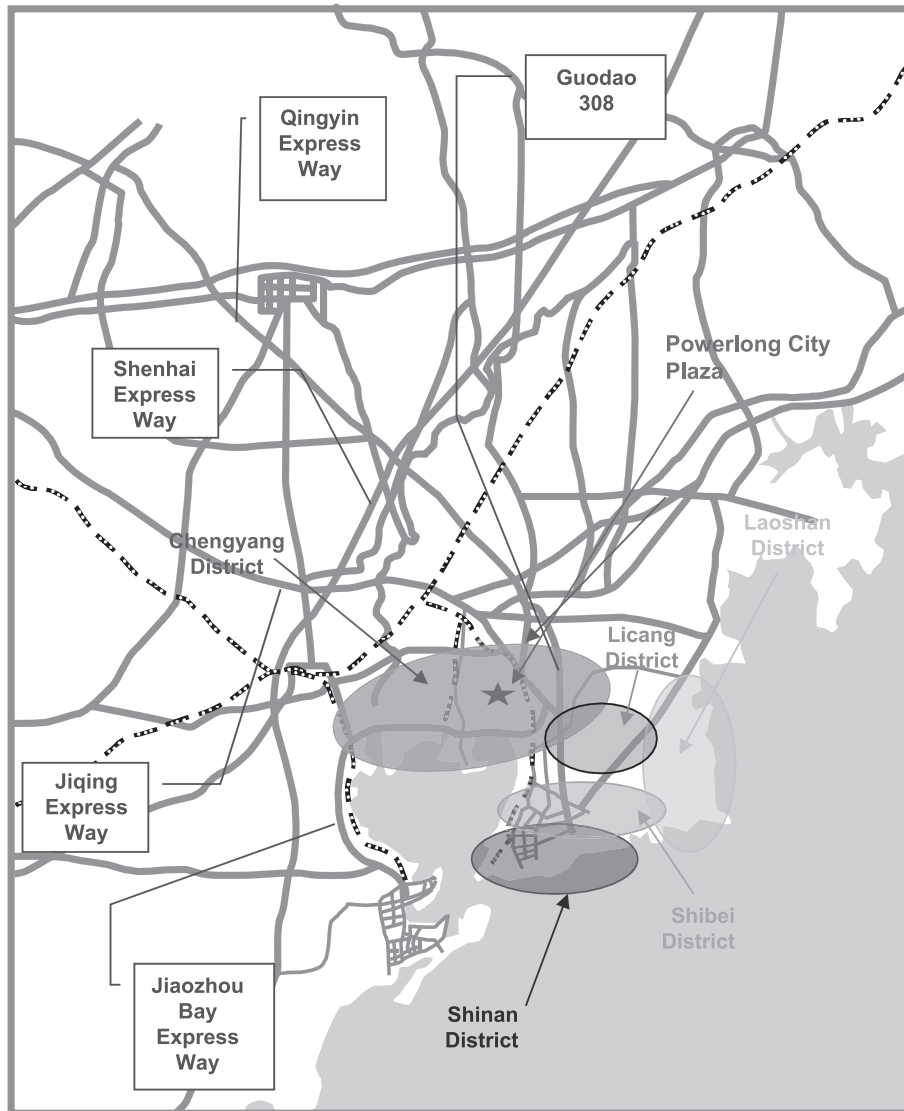
Qingdao’s economy is based around six key industries. These industries include the electronics and telecommunications, white goods and home appliances, chemical engineering and rubber, food and beverages, automotive and shipbuilding, and garments industries. Internationally, Qingdao is known for being the home of Tsingtao beer and more recently Haier and Hisense, two increasingly popular household brands associated for white goods and electronics, respectively. The city’s proximity to South Korea and Japan has also resulted in strong levels of investment from these two countries. Qingdao’s economy has enjoyed steady growth between 2003 and 2008, with real GDP growing faster than the national average.

Qingdao has an extensive road network with expressways connecting it with nearby Jinan and beyond. In 2006, construction started on a 35.4 kilometer bridge spanning Jiaozhou Bay. The bridge is part of a plan to improve the accessibility around Jiaozhou Bay that also includes an undersea tunnel (under construction) at the bay’s inlet, which is 6.2 kilometers long. The completion of these two projects will help link Huangdao District and the cities of Jiaozhou and Jiaonan on the western side of the bay with Qingdao City. According to JLL, the bridge is expected to be completed in 2010. Qingdao is served by the Jiaoji railway line. In 2008, Qingdao Railway Station in Shinan District re-opened after renovations expanded the station’s size and its transportation capacity. Qingdao Liuting International Airport located in Chengyang District lies 23 kilometers north of the city. Between 2002 and 2006, upgrading works were undertaken at the airport to increase its capacity. Such works involved the expansion of the terminal and extension of the length of its runways. Blessed with a natural deep water port, Qingdao is an important international sea-transportation hub. In 2007, the port handled 270 million tons of cargo.

INDUSTRY OVERVIEW

JLL understands that construction of Qingdao's subway line phase I will officially start in first half of 2010, while the construction of the experimental section commenced in mid 2009. This subway line phase I will be completed in 2014. It will have 22 stations and have a total length of 24.9 kilometers. Under the municipal government's 12-year plan, JLL understands that up to eight subway lines will be built in Qingdao. These new lines will traverse through seven districts and have a combined length of about 227 kilometers. Upon completion in 2020, the subway system is expected to handle over 1.2 million passengers per year.

Qingdao Map



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Qingdao for the years indicated:

Qingdao	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	151.8	178.0	216.4	269.6	320.7	378.7	443.6	228.2	19.6%
Real GDP Growth Rate (%) (year-on-year)	14.6	15.9	16.8	16.9	15.7	16.0	13.2	10.5	—
Nominal GDP per Capita (Rmb) ⁹	20,655	23,986	28,540	33,188	38,892	45,399	52,677	N/A	16.9%
Population (million) ¹⁰	7.15	7.21	7.31	7.41	7.49	7.58	7.62	N/A	1.1%
Urban Population (million)	2.42	2.47	2.58	2.65	2.71	2.76	2.76	N/A	2.2%
Urban Disposable Income per Capita (Rmb)	8,720	10,075	11,089	12,920	15,328	17,856	20,464	11,161	15.3%
Urban Consumer Expenditure per Capita (Rmb)	7,344	8,056	9,002	9,883	11,945	13,376	14,999	N/A	12.6%
Foreign Direct Investment (US\$ million)	2,378	4,014	3,817	3,656	3,658	3,807	2,643	N/A	2.3%
Retail Sales (Rmb billion)	55.7	64.6	74.8	86.6	100.7	119.9	146.5	82.3	17.5%
Total Tourist Arrivals (million)	18.4	16.9	22.1	25.2	28.9	33.7	34.7	17.2	11.2%

Source: Qingdao Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the residential property¹¹ market in Qingdao for the years indicated:

Qingdao	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾
Investment in Residential Real Estate (Rmb billion)	7.1	9.4	12.9	16.2	20.0	23.5	28.3	N/A
Residential GFA Completed (sq.m. million)	4.0	4.6	5.0	6.8	5.5	5.5	5.0	2.6
Residential GFA Under Construction (sq.m. million)	10.7	14.3	16.9	18.6	21.7	24.7	27.9	24.2
Residential GFA Sold (sq.m. million)	3.7	4.1	4.5	6.5	6.5	7.7	6.9	3.6
Average Price of Residential Properties (Rmb/sq.m.)	2,066	2,285	2,747	3,466	3,998	5,103	4,790	5,182

Source: Qingdao Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

⁹ Based on resident population.

¹⁰ Registered population.

¹¹ Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the retail property¹² market in Qingdao for the years indicated:

Qingdao	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA								
Completed (sq.m.) . .	20,000	116,000	35,000	133,650	172,905	23,613	216,141	35,000
Average Retail Mall								
Rental Value (Rmb/ sq.m./month)	N/A	N/A	337	353	364	419	468	476

Source: JLL estimates

Note: N/A = Data not available

Project-specific Details

Qingdao Powerlong City Plaza is situated on Wenyang Road in Chengyang District in Qingdao’s north. Chengyang District has a high concentration of Korean-funded firms.

JLL understands that the municipal government of Qingdao is currently considering plans to relocate industrial businesses out of the central districts of the city. Due to the abundance of available land for development, some of these businesses may choose to relocate to Chengyang District thereby accelerating the potential transformation of the area into a major manufacturing and logistics hub in Qingdao.

There is a large Korean community in Chengyang District and this group has created a strong demand for quality residential properties.

JLL understands that currently, there are several high quality residential projects under construction within the vicinity of Qingdao Powerlong City Plaza. Some of the more notable include Vanke’s Glamorous City, Qingte Huihao Jingyuan and Times Centre. JLL believes that the supply of high quality residential properties is still insufficient proportional to demand as evidenced by the high sales price for new quality projects. For example, Qingdao’s average price for residential properties was Rmb 5,182 per square meter as at the first half of 2009 compared to the sales price of Glamorous City in Chengyang District at Rmb 6,071 per square meter as at the first half of 2009.

JLL understands that existing retail facilities in Chengyang District are positioned largely towards the mass to mid-end segment of the market, with department stores being the most common format. JLL also believes because there is currently a limited range of available retail options in department stores in Chengyang District, many middle class and wealthier residents of Chengyang District travel to Qingdao’s city center for entertainment and shopping. Currently, there are three major low to mid-end departments stores in Chengyang District along with several hypermarkets. Upon completion, JLL understands that Qingdao Powerlong City Plaza

¹² Retail property includes major shopping malls and department stores located in the city’s core and emerging retail areas. When JLL estimated the rental value, only major shopping malls and department stores located in the city’s core retail areas were included.

INDUSTRY OVERVIEW

will be the first shopping mall in the area. The whole project consists of two phases and Phase I has already opened in the first quarter of 2009. It consists of a supermarket opened by a Korean discount store chain — Qingdao Lotte — with 33,427 square meters of GFA. JLL understands that Qingdao Powerlong Plaza Phase II has already entered into lease agreements with a number of key tenants, including the largest indoor theme park in China with approximately 50,000 square meters of GFA. JLL believes that Qingdao Powerlong City Plaza will help attract greater pedestrian flows into the area and help transform the area into a shopping district.

ZHENGZHOU

Zhengzhou, located south of the Yellow River, is the provincial capital of Henan Province. It functions as the commercial, cultural and political center of the province. Zhengzhou is bordered by Luoyang to the west, Xuchang to the southeast and Pingdingshan to the southwest, Kaifeng to the east, Jiaozuo to the northwest and Xinxiang to the northeast. It covers a total area of approximately 7,446 square kilometers and comprises six urban districts, five county-level cities and one county with a total resident population of approximately 7.4 million as of the end of 2008.

Geographically located in the center of China, Zhengzhou is a major railway junction between the Longhai railway (east-west) and Beijing-Guangzhou railway (north-south). It is also an important city in the Eurasian Continental Bridge. The Zhengzhou Railway Station is one of the largest passenger railway stations in China, while the train marshalling yard is one of the largest in Asia. The station is a key national transportation hub. JLL understands that the future Zhengzhou-Xi'an Passenger Transport Rail Line, which will connect Zhengzhou with Xi'an, is expected to further enhance Zhengzhou's access to the surrounding regions upon its phased completion over the next few years.

Zhengzhou Xinzheng International Airport, which lies approximately 30 kilometers south-east of the city center started operation in 1997. With over 50 domestic and international routes to cities worldwide, the airport handled five million passengers in 2007.

The city is also serviced by a comprehensive highway network, supported by the No. 107 and No. 310 national highways, the Beijing-Zhuhai Expressway and Lianyungang-Horgos Expressway. JLL understands that Zhengzhou's highway network is expected to be further improved by the expansion of the Lianyungang-Horgos Expressway and the construction of the Beijing-Hong Kong-Macau Expressway. In addition, JLL understands that the Zhengzhou Yellow River Bridge will improve Zhengzhou's access to cities north of the Yellow River after its completion in 2010.

Zhengzhou Metro Line 1 which is expected to improve Zhengzhou's intra-city connectivity is currently under construction. The line is estimated to start operations in 2013 and will run from the new Zhengzhou Railway Station in the east, through Zhengdong New District and the city center, to the Zhengzhou High-tech Industrial Development Zone in the west. The planned Metro Line 2, which will run in a north-south direction, has been approved by the central government and is expected to be completed in 2015. JLL understands this mass transit system is expected to improve the accessibility of the surrounding suburbs to the city center thereby boosting demand for residential and commercial real estate in those areas.

INDUSTRY OVERVIEW

Over the past few years, the strong growth in Zhengzhou’s economy has mainly been driven by its key industries, which include automotive manufacturing, energy, aluminum manufacturing and food processing.

In 2003, the Zhengdong New District was established to strengthen the services sector in Zhengzhou and speed up the city’s development. Zhengdong New District, situated in the eastern part of the city covers a total area of approximately 150 square kilometers. It is expected to emerge as the new CBD of Zhengzhou.

Zhengzhou Map



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Zhengzhou for the years indicated:

Zhengzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	92.8	107.4	133.5	166.1	201.4	248.7	300.4	152.4	21.6%
Real GDP Growth Rate (%) (year-on-year)	11.0	14.8	15.7	16.0	16.0	15.9	12.2	7.3	—
Nominal GDP per Capita (Rmb) ¹³	13,604	15,507	18,995	23,320	27,956	34,063	40,617	N/A	20.0%
Population (million) ¹⁴	6.88	6.98	7.08	7.16	7.24	7.36	7.44	N/A	1.3%
Urban Population (million)	3.84	3.98	4.11	4.24	4.36	4.51	4.64	N/A	3.2%
Urban Disposable Income per Capita (Rmb)	7,495	8,346	9,364	10,640	11,822	13,692	15,732	N/A	13.2%
Urban Consumer Expenditure per Capita (Rmb)	5,480	5,932	6,463	7,223	7,619	8,716	9,700	N/A	10.0%
Foreign Direct Investment (US\$ million)	92	157	242	335	614	1,001	1,400	700	57.4%
Retail Sales (Rmb billion)	43.1	53.0	61.7	70.7	82.2	97.9	120.6	69.7	18.7%
Total Tourist Arrivals (million)	9.2	10.1	13.9	17.9	23.4	29.4	35.4	19.6	25.2%

Source: Zhengzhou Statistics Bureau

Note: N/A = Not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the residential property¹⁵ market in Zhengzhou for the years indicated:

Zhengzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾
Investment in Residential Real Estate (Rmb billion)	4.8	6.4	9.5	12.6	17.7	22.5	33.8	N/A
Residential GFA Completed (sq.m. million)	2.1	2.8	2.8	3.6	4.1	5.4	5.7	N/A
Residential GFA Under Construction (sq.m. million)	7.4	11.3	13.6	14.2	20.7	28.2	37.2	N/A
Residential GFA Sold (sq.m. million)	1.6	2.6	3.0	5.6	7.5	10.1	6.3	4.1
Average Price of Residential Properties (Rmb/sq.m.)	1,914	1,955	2,004	2,387	2,691	3,328	3,648	4,452

Source: Zhengzhou Statistics Bureau

Note: N/A = Not available, (1) Represents preliminary data which is subject to change

¹³ Based on resident population.

¹⁴ Resident population.

¹⁵ Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the retail property¹⁶ market in Zhengzhou for the years indicated:

Zhengzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA								
Completed (sq.m.) . .	158,000	126,000	129,000	79,000	141,500	261,000	127,000	193,000
Average Retail Mall								
Rental Value								
(Rmb/sq.m./month) . .	132	141	145	150	170	193	206	207

Source: JLL

Project-specific Details

Zhengzhou Powerlong City Plaza is located in Zhengdong New District. The project covers a total land area of 113,984 square meters and consists of a retail mall and two residential buildings.

The retail mall has a total GFA of about 200,000 square meters and is scheduled to open in 2010. It is planned to feature mainly mid-end specialty shops, department stores, restaurants and entertainment facilities. The project is also planned to house an international hyper market as anchor tenant.

The residential portion of Zhengzhou Powerlong City Plaza comprises of two blocks of low-rise serviced apartments, with a total GFA of 15,197 square meters. These two buildings were completed in 2008.

Zhengzhou Powerlong City Plaza is located to the northeast of the developed CBD area in Zhengdong New District and is connected by several bridges over the East-West Canal. Prominent public and cultural buildings located in the CBD area include the Henan Convention Center, the Henan International Exhibition Center and the Henan Arts Center. The area between the two ring roads that circle the CBD area are occupied mainly by office buildings and high-rise apartments. According to the government’s planning for the area, JLL understands that Zhengdong New District will eventually become the administrative, cultural and commercial center of Zhengzhou City and also the whole of Henan Province.

Connectivity of Zhengdong New District has improved in recent years through the construction of major roads which link the area to older areas of the city. The new developments alongside Jinshui Road have also facilitated the growth of Zhengdong New District into a greater commercial precinct. JLL understands that the scheduled completion of Metro Line 1 in 2013 will include a station in Zhengdong New District, further improving the area’s accessibility. This is expected to help boost demand for residential and commercial properties in the area.

¹⁶ Retail property includes major shopping malls and department stores located in the city’s core and emerging retail areas.

INDUSTRY OVERVIEW

TAICANG

Taicang is a county level city comprising of seven towns and an economic development zone. It is under the jurisdiction of Suzhou Prefecture City and has its municipal government in the township of Chengxiang. Growth in Taicang’s economy and population in recent years has increased housing demand in the city.

Located in the southeast of Jiangsu Province near where the Yangtze River meets the Yellow Sea, Taicang covers a total land area of about 823 square kilometers. The city has historically been an important port for the Yangtze River Region.

The city has a well connected road network. The Sukuntai and Yanjiang Expressways link Taicang to Suzhou and Shanghai, respectively, with the latter within an hour’s drive. Taicang is a major container port in the area. With 40 kilometers of deep-water coastline along the Yangtze River, Taicang’s port has 69 national and international lines for cargo transportation. In addition, Shanghai port is only 40 kilometers away. The city lies within close proximity to the Huning Railway, with the nearest station located 15 kilometers away in Kunshan. Taicang is also within an hour’s drive of Shanghai’s Hongqiao Airport.

Taicang’s economy is traditionally based on agriculture. However, the economy moved away from agriculture and towards industrial manufacturing due to rapid industrialization of the Yangtze River Delta over the past two decades. As a result, the contribution of agriculture towards the economy has gradually decreased to account for just 3.5% of the city’s nominal GDP in 2008.

In 1991, the Taicang Economic Development Area (“TCEDA”) was established to facilitate the growth of the industrial sector. The establishment of the TCEDA has attracted more than 2,000 enterprises from around the globe. According to the 11th Five-Year Plan, the city will focus on developing services and high-tech industries from 2006 to 2010. The plan also states that by 2010, research and development costs are expected to account for 2% of the total nominal GDP.

Over the past decade, development in Taicang has been focused largely on the New City Development Zone (“NCDZ”) in the TCEDA. The TCEDA has been designated as the future administrative center of Taicang. The Taicang municipal government and the People’s Hospital are expected to move into this area within the next two years. JLL believes that such focused development has transformed the NCDZ into a new town, integrating high-tech industries, modern commerce and service, recreation facilities and high-end residential areas.

INDUSTRY OVERVIEW

JLL believes that the growing number of new businesses establishing operations within the NCDZ, which is in close proximity to Shanghai, will increase the demand for residential properties in Taicang. Although Taicang is already a well connected city in Jiangsu Province, a number of new expressways linking the city to other nearby cities remain under construction. When completed, JLL believes that these will further accelerate the city’s overall development.

Taicang City Map



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Taicang for the years indicated:

Taicang	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	18.0	21.0	24.8	29.5	36.7	44.0	52.8	29.1	19.6%
Real GDP Growth Rate (%) (year-on-year)	14.0	14.0	13.5	16.1	23.0	18.5	14.6	11.6	—
Nominal GDP per Capita (Rmb) ¹⁷	40,096	46,644	54,815	64,679	64,411	70,590	79,449	N/A	11.1% ¹⁸
Population (million) ¹⁹	0.45	0.45	0.45	0.46	0.59	0.66	0.67	N/A	6.9% ¹⁸
Urban Population (million) ²⁰	0.18	0.19	0.20	0.20	0.33	0.37	0.38	N/A	13.3% ²¹
Urban Disposable Income per Capita (Rmb)	N/A	N/A	14,558	16,670	19,091	21,576	24,624	14,581	14.0% ²²
Urban Consumer Expenditure per Capita (Rmb)	N/A	N/A	8,432	10,955	12,163	13,139	15,943	N/A	17.3% ²²
Foreign Direct Investment (US\$ million)	400	622	184	300	450	621	734	N/A	10.6%
Retail Sales (Rmb billion)	3.2	3.6	4.1	4.8	5.6	6.5	8.2	4.7	17.0%
Total Tourist Arrivals (million)	N/A	N/A	0.9	1.0	1.2	1.8	2.1	N/A	23.6%

Source: Taicang Statistical Bureau

Note: N/A = Not Available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the residential property²³ market in Taicang for the periods indicated:

Taicang	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾⁽²⁾
Investment in Residential Real Estate (Rmb billion)	0.3	0.4	1.7	2.2	1.6	1.1	2.0	N/A
Residential GFA Completed (sq.m. million)	0.3	0.2	0.3	0.7	0.6	0.4	1.2	N/A
Residential GFA Under Construction (sq.m. million)	0.4	0.7	2.1	2.3	2.2	2.0	2.3	N/A
Residential GFA Sold (sq.m. million)	0.3	0.3	0.2	0.5	0.5	0.5	0.4	0.5
Average Price of Residential Properties (Rmb/sq.m.)	1,385	1,680	2,112	3,125	3,840	3,942	3,828	4,471

Source: (1) — Taicang Development and Reform Commission, others — Taicang Statistical Bureau

Note: N/A = Data not available, (2) Represents preliminary data which is subject to change

¹⁷ Based on registered population for the period from 2002 to 2005 and based on resident population for the period from 2006 to 2008.

¹⁸ CAGR for the period from 2006 to 2008.

¹⁹ Registered population for the period from 2002 to 2005 and resident population for the period from 2006 to 2008.

²⁰ Non-rural population for the period from 2002 to 2005.

²¹ CAGR for the period from 2006 to 2008.

²² CAGR for the period from 2004 to 2008.

²³ Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below illustrates key statistics relating to the retail property²⁴ market in Taicang for the periods indicated:

Taicang	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA								
Completed (sq.m.) . .	0	0	0	5,000	0	20,000	120,000	0
Average Retail Mall								
Rental Value (Rmb/ sq.m./month)	48.8	55.4	62.0	68.8	75.7	84.6	128.1	141.2

Source: JLL estimates

Project-specific Details

Suzhou Taicang Powerlong City Plaza is a 267,745 square meter mixed-use development comprising of a hotel, residential and retail areas. The development is located on Shanghai East Road in the residential area within the NCDZ and is being developed in two phases. Phase I is expected to be completed in December 2009 while construction of Phase II is expected to commence in May 2010 and is expected to be completed in December 2011. Sheraton Group has been appointed as the operator of the hotel, which is expected to open for business in February 2010.

As several mid to high-end residential projects, including Hubin Golf, Huaqiao Garden and Huayuan Shanghai City are already located in the NCDZ, JLL understands that this area is expected to become one of the major residential areas of Taicang given the extensive development anticipated over the next few years. JLL expects the emergence of a residential cluster within the NCDZ to also enlarge the area's retail catchment. JLL believes that the completion of Suzhou Taicang Powerlong City Plaza and Dongsheng Commercial Plaza, a new shopping mall currently under construction on an adjacent site, will help strengthen the NCDZ's position as a retail destination within Taicang and to cater to the growing number of residents in this area.

WUXI

Located in the eastern part of Jiangsu Province between Shanghai and Nanjing, Wuxi is a major city of Jiangsu Province. It covers a total land area of approximately 4,788 square kilometers and had a registered population of approximately 4.6 million as of the end of 2008.

Wuxi consists of nine county-level divisions, seven of which are urban districts and the remaining two are county-level cities. The urban districts are Chong'an, Nanchang, Binhu, Wuxi New District, Beitang, Huishan and Xishan. Jiangyin City and Yixing City are designated as county-level cities.

²⁴ Retail property includes major shopping malls and department stores located in the city's core and emerging retail areas.

INDUSTRY OVERVIEW

There are five key industries in Wuxi, including information technology, machinery production, automobile parts, textiles and new materials. Wuxi is one of the major manufacturing bases in the Yangtze River Delta region, with the manufacturing industry accounting for approximately 58% of the city’s nominal GDP in 2008. The government of Wuxi continues to strengthen the five pillar industries, in accordance with the city’s 11th Five-Year Plan. At the same time, JLL understands the government also has plans to promote the city’s logistics and services industries.

Wuxi is well connected with the key cities within the Yangtze River Delta Region by the Shanghai-Nanjing High-speed Railway. Passing through Wuxi New District, where Wuxi Powerlong City Plaza is located, this railway connects Wuxi to cities like Shanghai, Suzhou, Nanjing and Changzhou.

In terms of infrastructure capacity, the Wuxi Shuofang International Airport in Wuxi New District was expanded in 2007, increasing its annual passenger turnover from approximately 620,000 in 2005 to approximately 1.6 million in 2008.

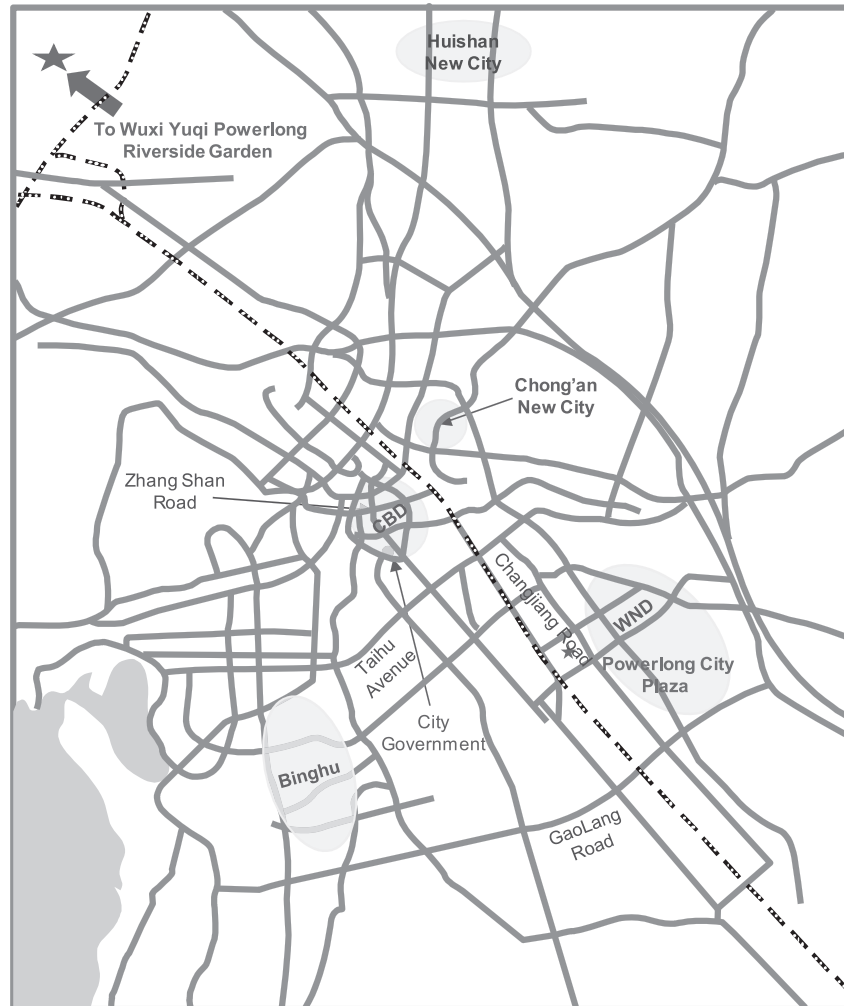
Construction of the Huning High-speed Railway commenced in 2008 and is expected to be completed by 2012. Upon completion, JLL understands that the travelling time between Wuxi and Shanghai is expected to be reduced to 30 minutes thereby improving Wuxi’s connectivity to the emerging financial hub of Shanghai. This will help to improve Wuxi’s attractiveness to foreign investors and strengthen its competitive position within the Yangtze River Delta region.

JLL understands the Wuxi government plans to build two subway lines by 2015, totalling about 55 kilometers. Metro Line 1, which runs from north Huishan New City through Wuxi Railway Station and the CBD to south Taihu New City is set to be completed in 2014. Metro Line 2, running from west Binghu District through Lihu New City, the CBD and Wuxi New District to east Xishan New City is scheduled for completion in 2015. The two lines will intersect at Sanyang Square Station in the CBD. These new lines are expected to stimulate growth in real estate demand in the fringe cities as the subways will help divert some of the population from the downtown region to these emerging areas, such as Yuqi where Wuxi Yuqi Powerlong Riverside Garden is located.

INDUSTRY OVERVIEW

Metro Line 3 has been included in Wuxi’s government plans. This 36.9 kilometer line, running north to south from Luoshe through Wuxi New District to the airport, is expected to further improve the accessibility of some of the areas like Wangzhuang where Wuxi Powerlong City Plaza is located.

Map of Wuxi



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Wuxi for the years indicated:

Wuxi	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	153.4	183.3	225.1	280.5	330.1	385.9	442.0	230.2	19.3%
Real GDP Growth Rate (%) (year-on-year)	13.1	15.4	17.4	15.1	15.3	15.3	12.4	10.4	—
Nominal GDP per Capita (Rmb) ²⁵	35,087	41,616	50,592	50,958	57,719	65,212	73,053	N/A	12.8% ²⁶
Population (million) ²⁷	4.39	4.43	4.47	4.53	4.58	4.62	4.64	N/A	0.9%
Urban Population (million)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Urban Disposable Income per Capita (Rmb)	9,988	11,647	13,588	16,005	18,189	20,898	23,605	N/A	15.4%
Urban Consumer Expenditure per Capita (Rmb)	7,567	8,360	9,517	10,774	11,372	12,257	13,563	N/A	10.2%
Foreign Direct Investment (US\$ million)	1,740	2,701	3,258	2,007	2,752	2,772	3,167	N/A	10.5%
Retail Sales (Rmb billion)	54.4	59.6	70.9	82.4	95.9	113.5	139.1	80.6	16.9%
Total Tourist Arrivals (million)	19.2	22.5	22.6	27.0	31.1	34.3	37.5	N/A	11.8%

Source: Wuxi Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the residential property²⁸ market in Wuxi for the years indicated:

Wuxi	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾
Investment in Residential Real Estate (Rmb billion)	6.0	10.3	14.9	15.8	19.2	26.1	29.7	N/A
Residential GFA Completed (sq.m. million)	2.6	4.6	4.0	5.4	6.1	6.0	5.9	N/A
Residential GFA Under Construction (sq.m. million)	6.6	10.9	12.4	15.2	17.8	21.8	26.6	N/A
Residential GFA Sold (sq.m. million)	2.2	2.8	3.5	5.1	5.5	6.8	4.6	3.9
Average Price of Residential Properties (Rmb/sq.m.)	1,712	2,006	2,278	3,472	3,687	4,363	5,096	5,105

Source: (1) — JLL estimates, others — Wuxi Statistics Bureau

Note: N/A = Data not available

²⁵ Based on registered population for the period from 2002 to 2004 and based on resident population for the period from 2005 to 2008.

²⁶ CAGR for the period from 2005 to 2008.

²⁷ Registered population.

²⁸ Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below illustrates key statistics relating to the retail property²⁹ market in Wuxi for the years indicated:

Wuxi	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA Completed (sq.m.).	50,000	74,000	15,000	132,000	50,000	85,000	52,165	80,000
Average Retail Mall Rental Value (Rmb/sq.m./month)	257	280	305	333	343	356	358	359

Source: JLL estimates

Project-specific Details

The Company has two projects in Wuxi — one in Wangzhuang and another in Yuqi.

Wuxi Powerlong City Plaza

Wuxi Powerlong City Plaza and is located on Wangzhuang Road in the north-western part of Wuxi New District. It comprises 151,226 square meters of retail space and 82,905 square meters of residential space.

Wuxi Powerlong City Plaza is expected to be delivered in two phases. Phase I comprises one composite building with serviced apartments on top of a retail podium. The building is completed and already sold out. Phase II of the development is currently under construction and is expected to be completed in December 2010. It consists of a retail mall and four high-rise serviced apartment towers. JLL believes that the retail mall in Phase II will eventually become one of the largest retail malls in terms of GFA in Wuxi New District when completed in 2010.

Wuxi Yuqi Powerlong Riverside Garden

Wuxi Yuqi Powerlong Riverside Garden occupies a total site area of about 212,000 square meters. Located on Yangyu Road in Huishan District, construction of this mixed-use project commenced in 2007 and it includes 285,738 square meters of residential space and 61,144 square meters of retail space.

Wuxi Yuqi Powerlong Riverside Garden is developed in two phases. Phase I is expected to be completed by the end of 2009 and construction for Phase II is expected to commence in August 2010 and be completed in 2012.

Phase I consists of 53,633 square meters of residential apartments, and 26,458 square meters of office space and 28,475 square meters of retail space. Phase II is expected to have 232,105 square meters of residential space and 6,211 square meters of retail space.

²⁹ Retail property includes major shopping malls and department stores located in the city’s core and emerging retail areas.

INDUSTRY OVERVIEW

JLL believes that the retail portion of Wuxi Yuqi Powerlong Riverside Garden is set to be one of the major retail projects in the area. According to the city’s development blueprint, JLL understands that a number of pedestrian shopping streets will be established by 2012. JLL also understands that these streets will house a number of restaurants, boutiques and nightlife establishments. In addition, JLL understands that a four-star hotel will be built to serve the accommodation needs of the increasing number of business travelers to the city. JLL understands that there will also be other community facilities in the area, including a hospital.

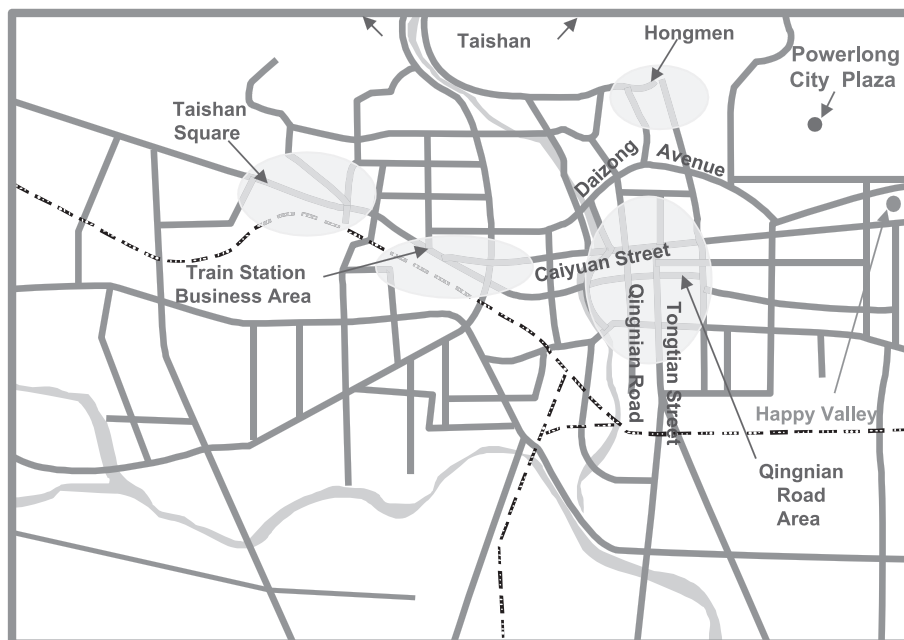
TAI’AN

Tai’an is a major city in Shandong Province, geographically located in the central area of the province. It covers a total area of about 7,762 square kilometers and had a registered population of about 5.5 million at the end of 2008. With nearby Mount Tai being a popular tourist destination in China, the tourism industry plays an important role in the economic development in Tai’an.

The Jinghu (Beijing to Shanghai) Railway currently runs through Tai’an. JLL believes that the Jinghu High-speed Railway, which has a stop in Tai’an and is due for completion in 2012, will enhance Tai’an’s transportation network and economic development. After the completion of the Jinghu High Speed Railway, Tai’an will be about two hours away from Beijing and three hours away from Shanghai by train.

There are currently two major motorways passing through Tai’an City, Jinghu (Beijing to Shanghai) Motorway and Jingfu (Beijing to Fuzhou) Motorway. Tai’an is also linked to Qingdao, Yantai and Weihai by well-established motorway networks.

Property Submarkets in Tai’an



Source: JLL

INDUSTRY OVERVIEW

There are currently no major infrastructure projects being planned specifically within the eastern town sub-market. However, with the launching of the new high-speed rail in 2012 making Tai'an within hours of Beijing and Shanghai, JLL understands that the local government is in the preliminary planning stages of refurbishing tourist amenities and public facilities and upgrading the city's transit system.

In 2008, the Tai'an municipal government applied to construct the Liaotai Railway and the Qinglan Highway. The Liaotai Railway would connect Tai'an and Liaocheng, a railway hub to the west. This railway would span 130 kilometers with stops in 15 cities, allowing for easier access to Tai'an from a number of cities across western Shandong Province. Similarly, the Qinglan Highway would connect the eastern port of Qingdao to the inland city of Lanzhou, transforming Tai'an into a strategic transportation and logistics hub. In addition, there are plans to construct an inter-city train line from Tai'an to Jinan, cutting the trip to less than an hour. JLL believes that this more convenient and direct link to the provincial capital would have a positive impact on Tai'an's economy. Furthermore, improvements in the area's aesthetic appeal, local amenities, or connectivity is expected to benefit the hospitality industry and real estate market in Tai'an.

Key Statistics

The table below sets forth key economic statistics for Tai'an for the years indicated:

Tai'an	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	51.5	60.4	73.2	85.6	101.8	122.6	151.3	N/A	19.7%
Real GDP Growth Rate (%) (year-on-year)	13.9	16.1	16.4	17.2	16.5	16.1	13.4	N/A	—
Nominal GDP per Capita (Rmb) ³⁰	9,458	11,043	13,341	15,547	18,872	22,617	27,794	N/A	19.7%
Population (million) ³¹	5.46	5.48	5.50	5.51	5.52	5.53	5.55	N/A	0.3%
Urban Population (million) ³²	1.68	1.73	1.77	1.57	1.57	1.59	1.59	N/A	–0.9%
Urban Disposable Income per Capita (Rmb)	7,369	8,310	8,883	10,337	11,966	13,818	16,095	N/A	13.9%
Urban Consumer Expenditure per Capita (Rmb)	5,443	5,548	6,393	7,211	8,566	9,971	11,732	N/A	13.7%
Foreign Direct Investment (US\$ million)	70	150	310	528	797	980	1,175	N/A	60.0%
Retail Sales (Rmb billion)	16.2	18.6	22.4	27.4	31.8	37.8	46.7	N/A	19.3%
Total Tourist Arrivals (million)	5.9	5.9	7.8	10.1	12.4	15.2	18.7	N/A	21.2%

Source: Tai'an Statistical Bureau, CEIC

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

³⁰ Based on registered population.

³¹ Registered population.

³² Refers to non-rural population.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the residential property³³ market in Tai'an for the periods indicated:

Tai'an	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Investment in Residential								
Real Estate (Rmb billion)	0.5	1.2	1.3	2.0	1.8	2.7	3.4 ⁽¹⁾	N/A
Residential GFA Completed (sq.m. million)	N/A	N/A	1.1	1.2	0.9	1.4	1.9 ⁽¹⁾	N/A
Residential GFA Under Construction (sq.m. million)	N/A	2.3	2.3	2.5	2.5	3.4	5.1 ⁽¹⁾	N/A
Residential GFA Sold (sq.m. million)	N/A	0.6	0.7	0.9	1.1	1.5	1.5 ⁽¹⁾	N/A
Average Price of Residential Properties (Rmb/sq.m.) ⁽¹⁾	4,000	4,100	4,150	4,200	4,300	4,300	4,500	4,500

Source: (1) — JLL estimates, others — Tai'an Statistics Bureau

Notes: N/A = Data not available.

The table below sets forth key statistics relating to the retail property³⁴ market in Tai'an for the periods indicated:

Tai'an	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail GFA Completed (sq.m.)	N/A	N/A	N/A	299,759	166,733	43,586	0 ⁽¹⁾	0 ⁽¹⁾
Average Rental Value of Retail Properties (Rmb/sq.m./mth) ⁽¹⁾	N/A	N/A	N/A	28.5	28.5	28.5	30.0	30.0

Source: (1) — JLL estimates, others — Tai'an Statistics Bureau

Notes: N/A = Data not available.

Project-specific Details

Tai'an Powerlong City Plaza is located in the eastern town area of Tai'an City and involves a total land area of 237,515 square meters. It is in close proximity to the south-east foot of Mount Tai.

³³ Residential property includes commodity housing units which can be bought or sold and economic housing units.

³⁴ Retail property includes all types of retail format in the city. When JLL estimated the GFA completed and rental value, only major shopping malls and department stores located in the city's core and emerging retail areas were included.

INDUSTRY OVERVIEW

The project is a large-scale mixed-use complex, comprising residential, retail and hotel elements. It has a total planned GFA of 301,945 square meters, including 116,964 square meters of residential space, and 121,930 square meter of retail space. The hotel portion has a total GFA of 49,683 square meters. The proposed hotel is targeted and designed as a five-star hotel, which is on par with the existing Ramada Hotel, the five-star hotel in Tai'an at present.

JLL understands that the sales price of new residential properties in the area has risen steadily in recent years as demand from buyers increase in line with increased income level. JLL believes that due to its relative higher quality, the residential units being sold in Tai'an Powerlong City Plaza have so far achieved price premiums compared to the average residential property price in Tai'an.

JLL understands that Tai'an Powerlong City Plaza has already entered into pre-leasing agreements with key tenants, including a cinema, a fitness club, a hotpot restaurant and a KTV club, representing 16.6% of the development's leasable space. Given the strong retail sector outlook in this newly emerging retail area, JLL expects that the sales price of retail space in Tai'an Powerlong City Plaza will continue to command a premium over the average market price of retail premises in the area.

In addition to the key infrastructure projects outlined for the city, JLL understands there is also an important large-scale amusement park project being constructed by a Shenzhen investment company in the north-east of the city called Happy Valley. Although this amusement park, which is due to be completed by mid-2010, contains retailing elements, JLL believes that it is unlikely to become a shopping destination due to the positioning and characteristics of the project that is currently known to JLL. Nevertheless, JLL believes that Happy Valley will attract greater pedestrian flows into the area and potentially help accelerate the emergence of the eastern town area as a shopping destination.

LUOYANG

The city of Luoyang is situated on the Central Plain of China in the western part of Henan Province. It is a prefecture level city and has jurisdiction over six districts (Jianxi, Xigong, Laocheng, Chanhe, Luolong and Jili), one county-level city (Yanshi) and eight counties. To its east lies the provincial capital of Zhengzhou, to the south lies Nanyang, to the west lies Sanmenxia and to its north lies Jiyuan. The city covers a total area of about 15,208 square kilometers and has a registered population of 6.5 million as of the end of 2008. Having served as the Chinese capital for no less than thirteen dynasties, the city is rich in culture and is recognized as being one of the cradles of Chinese civilization.

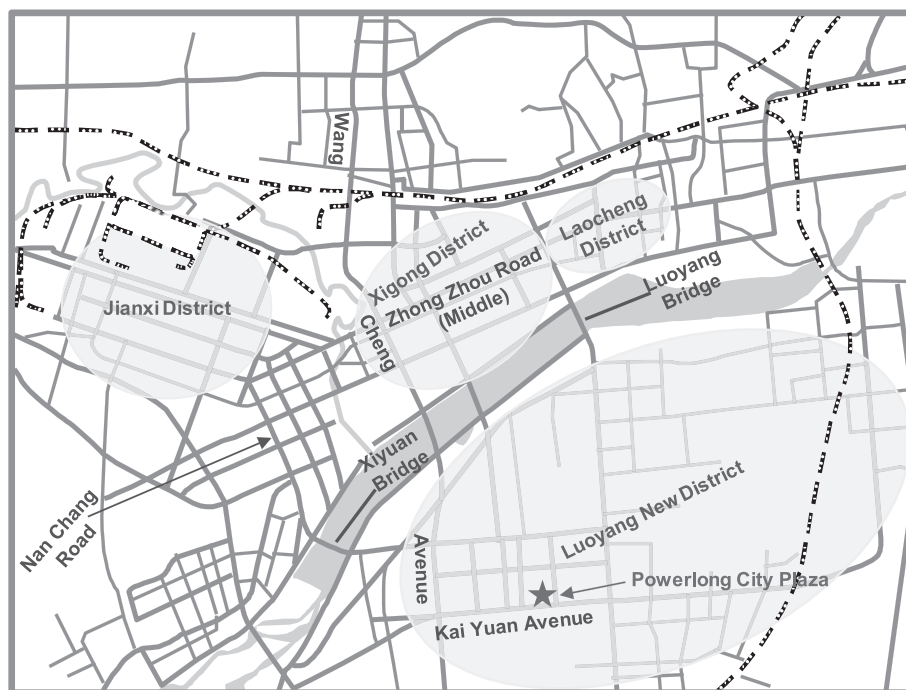
Luoyang lies at the junction of several national and provincial highways. Three national highways (Luoyang Raocheng Expressway, Er Guang Expressway and Luokai Expressway) and 17 provincial highways link Luoyang to surrounding cities such as Zhengzhou, Xi'an, Taiyuan and Nanyang. The city also lies at the intersection of two major railway lines, the Longhai Railway and Jiaozhi Railway, and is an important stop on the Euro-Asian Continental Bridge linking China to central Asia and Europe. JLL understands that a new Zhengzhou-Xi'an railway line that will include a stop in Luoyang is currently under construction. When completed, travel time between Luoyang and Zhengzhou is expected to be reduced from the current two hours down to 40 minutes. Luoyang Airport is located in the city's north-west and has regular flights to various cities across the country. Public transportation in the city include an extensive bus network although JLL understands the Luoyang government has laid down plans to build four metro lines to facilitate the city's development.

INDUSTRY OVERVIEW

The economy of Luoyang relies primarily on manufacturing and tourism. The city has specifically set out to build its economy around six pillar industries: mechanical and electronics, petrochemical, metallurgy, building materials, light textile and food. There are two major industrial zones in Luoyang, namely, Luoyang High & New Technology Development Zone and Luoyang Economic Development Zone. Both zones are located in the south-western part of the city. Luoyang High & New Technology Development Zone is a research and development base for industries of new materials, special axletree and equipment manufacturing while key industries in the Luoyang Economic Development Zone include machinery processing, building materials, nonferrous metals, business services and metallurgy. Luoyang's economy has almost tripled in size over the past five years. In 2008, the city's nominal GDP reached Rmb 192.0 billion, equivalent to Rmb 30,080 per capita.

The 11th Five-year plan of Luoyang sets out objectives of economic development for the city. JLL understands that by 2010, Luoyang aims to reach an average annual real GDP growth rate of 13%. It is also proposed that, by 2010, per capita nominal GDP in Luoyang is expected to reach Rmb 33,000. JLL understands that Luoyang is also expected to continue to enhance its strength in the manufacturing and tourism industries. The government's ambition is to not only build Luoyang into a modern industrial city but also into one of the most livable cities in Central and Western China.

Map of Luoyang



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Luoyang for the years indicated:

Luoyang	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	53.5	68.6	90.5	111.2	133.3	159.5	192.0	89.6	23.7%
Real GDP Growth Rate (%) (year-on-year)	11.0	16.6	16.2	15.1	15.7	16.2	14.4	9.7	—
Nominal GDP per Capita (Rmb) ³⁵	8,489	10,823	14,204	17,486	20,979	25,120	30,080	N/A	19.7% ³⁶
Population (million) ³⁷	6.32	6.36	6.38	6.42	6.46	6.50	6.54	N/A	0.6%
Urban Population (million)	2.00	2.14	2.27	2.44	2.52	2.67	N/A	N/A	5.9% ³⁸
Urban Disposable Income per Capita (Rmb)	7,161	8,005	9,032	10,175	11,490	12,770	14,672	8,311	12.7%
Urban Consumer Expenditure per Capita (Rmb)	5,387	5,884	6,371	7,176	7,885	8,833	9,957	N/A	10.8%
Foreign Direct Investment (US\$ million)	19	10	89	114	212	637	900	N/A	90.2%
Retail Sales (Rmb million)	19.5	22.7	28.9	34.1	39.5	46.8	57.7	N/A	19.8%
Total Tourist Arrivals (million)	13.8	14.2	17.9	21.5	28.0	40.0	45.7	N/A	22.1%

Source: Luoyang Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the residential property³⁹ market in Luoyang for the years indicated:

Luoyang	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾
Investment in Residential Real Estate (Rmb billion)	N/A	N/A	2.1	3.1	6.2	8.7	8.7	N/A
Residential GFA Completed (sq.m. million)	0.6	0.6	1.6	1.6	1.5	2.9	3.8	N/A
Residential GFA Under Construction (sq.m. million)	1.1	1.0	4.3	5.1	5.7	9.4	14.6	N/A
Residential GFA Sold (sq.m. million)	0.8	1.5	1.6	1.8	2.7	4.0	2.7	N/A
Average Price of Residential Properties (Rmb/sq.m.)	1,247	1,119	1,173	1,527	1,800	2,197	2,251	2,991

Source: Henan Statistics Bureau, Luoyang Statistics Bureau, Luoyang Real Estate Administration Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

³⁵ Based on registered population for the period from 2002 to 2005 and based on resident population for the period from 2006 to 2008.

³⁶ CAGR for the period from 2006 to 2008.

³⁷ Registered population.

³⁸ CAGR for the period from 2002 to 2007.

³⁹ Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the retail property⁴⁰ market in Luoyang for the years indicated:

Luoyang	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA Completed (sq.m.).	8,000	41,800	40,000	76,000	87,000	531,000	60,000	0
Average Retail Mall Rental Value (Rmb/sq.m./month)	75	83	96	105	120	120	128	131

Source: JLL estimates

Project-specific Details

Luoyang Powerlong City Plaza is located on Kaiyuan Avenue in Luoyang New District on the south side of the Luohe River and close to Luoyang's municipal government offices. The project is a mixed-use development comprising of about 390,000 square meters of retail space in the format of a wholesale market and about 400,000 square meters of residential/serviced apartment living space. The project is currently under construction and will be delivered in two phases. Phase I is expected to be completed towards the end of 2009 while Phase II is due for completion in 2012. When completed, Luoyang Powerlong City Plaza is expected to be one of the largest retail shopping malls in Luoyang.

The retail portion of Phase I of Luoyang Powerlong City Plaza has a GFA of about 241,000 square meters and is expected to be one of the largest wholesale markets in mid-west China when completed. Phase II of Luoyang Powerlong City Plaza is expected to feature approximately 147,800 square meters of retail space in both shopping mall and department store format. The residential portion of Phase I of Luoyang Powerlong City Plaza comprises eight residential towers ranging from 18 to 31 storeys. Two towers are expected to feature serviced apartment units which are 40 to 60 square meters each. Since 2007, all serviced apartment units have been pre-sold, which JLL believes is an indication of strong demand for residential properties.

The planned Luoyang New District covers almost the whole area to the south of Luohe River, with a total land area of 480 square kilometers. Luoyang New District, which covers Luolong District, the Longmen Culture and Tourism Park, and southwestern part of Yanshi City, will be the focus of future development in Luoyang. The new district already boasts several key tourist attractions and is home to the government administration center and a sports center. JLL understands that the government's plan for Luoyang New District is to transform it into the city's future administrative and tourism center. This is expected to encourage growth of the retail and residential markets in this area.

⁴⁰ Retail property includes major shopping malls and department stores located in the city's core and emerging retail areas.

INDUSTRY OVERVIEW

The transportation system in Luoyang has improved greatly in recent years. Five major bridges have been built over the Luohe River, linking the new district to the old city center. Furthermore, JLL understands that the Luoyang South Station, which is being built in the south part of Luoyang New District, is expected to bring both Luoyang residents and tourists from other cities into the new district area. JLL believes that the government’s vision for Luoyang New District has drawn strong interest from developers and led to the construction of new retail properties in the area in recent years.

BENGBU

Bengbu is located in the north of Anhui Province. It lies 135 kilometers north of Nanjing and is situated along the Huaihe River. It covers a total land area of about 5,952 square kilometers and had a registered population of about 3.6 million at the end of 2008. Bengbu is 131 kilometers from the Anhui capital of Hefei, 979 kilometers from Beijing and 485 kilometers from Shanghai.

Bengbu is a major national transportation hub in Anhui Province located along the Beijing-Shanghai Railway line. It is also the biggest port along the Huaihe River which links the eastern and western regions of China. Looking forward, JLL understands the Beijing-Shanghai Express Railway, which is due for completion in 2012, and the planned development of Bengbu New Port will further facilitate the city’s growth as a key transportation hub in China. After the completion of the Beijing-Shanghai Express Railway, the city will be approximately three hours journey from Beijing and a two hours journey away from Shanghai by train.

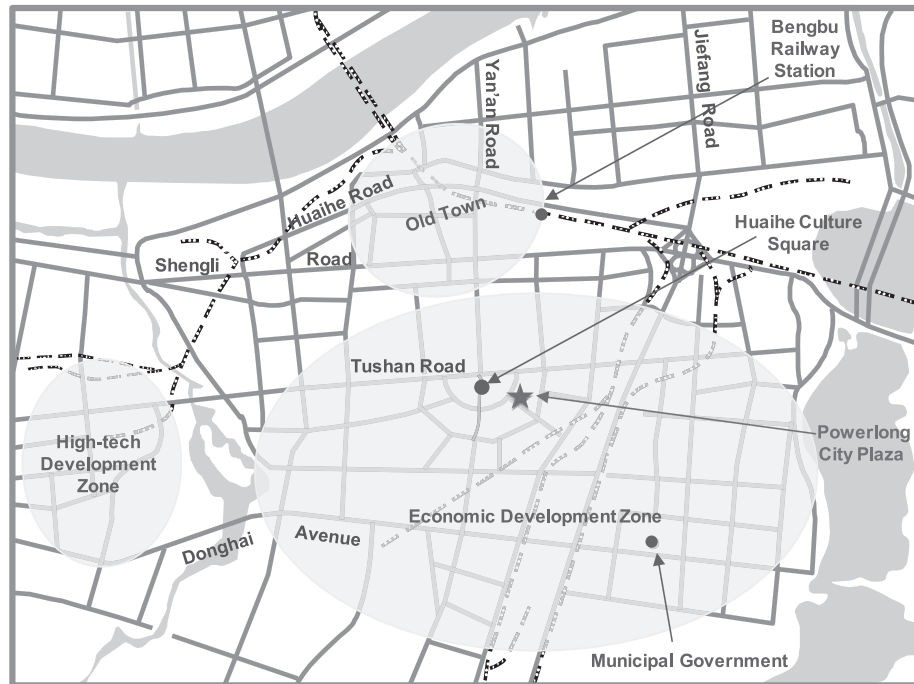
The city is also an important industrial city in Anhui Province. Tobacco manufacturing, food manufacturing, glass making, fine chemical product manufacturing, special purpose equipment manufacturing and auto vehicle component manufacturing are the pillar industries for the city.

There are six provincial-level development zones in Bengbu, namely Bengbu Economic Development Zone, Bengbu High-tech Development Zone, Bengbu Industrial Park, Huaiyuan Economic Development Zone, Guzhen Economic Development Zone and Wuhe Economic Development Zone. Each of these development zones have their own functions. For instance, JLL understands that Bengbu Economical Development Zone, where Bengbu Powerlong City Plaza is located, is to be developed into an integrated zone with a mix of residential, commercial and industrial projects. On the other hand, Bengbu High-tech Developments Zone focuses on vehicle component manufacturing, new material production, chemicals and pharmaceuticals manufacturing, and the Bengbu Industrial Park concentrates on industries such as electronic product making, farming industry and automobile fitting.

According to the city’s 11th Five-Year Plan, over the next few years, Bengbu will continue to develop its industrial sector and maximize its proximity to the Huaihe basin to strengthen its position as a major transportation hub. JLL understands that Bengbu is expected to develop the modern service sector which is a growing industry in the city.

INDUSTRY OVERVIEW

Map of Bengbu



Source: JLL

Key Statistics

The table below sets forth key economic statistics for Bengbu for the years indicated:

Bengbu	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	20.2	22.1	28.2	31.2	34.7	41.0	48.6	24.2	15.8%
Real GDP Growth Rate (%) (year-on-year)	10.9	6.6	18.5	10.4	12.5	13.5	11.0	10.6	—
Nominal GDP per Capita (Rmb) ⁴¹	5,896	6,425	8,145	8,975	9,876	11,577	13,632	N/A	15.0%
Population (million) ⁴²	3.43	3.45	3.47	3.49	3.53	3.55	3.58	N/A	0.7%
Urban Population (million) ⁴³	0.83	0.84	0.91	0.92	0.94	0.97	1.00	N/A	3.2%
Urban Disposable Income Per Capita (Rmb)	6,564	7,237	8,109	8,875	10,175	11,440	12,705	6,517	11.6%
Urban Consumer Expenditure per Capita (Rmb)	5,025	5,781	6,330	6,414	7,556	8,409	9,095	4,799	10.4%
Foreign Direct Investment (US\$ million)	48	31	25	51	121	195	210	N/A	27.9%
Retail Sales (Rmb billion)	8.2	8.9	10.2	11.7	13.4	15.6	19.2	10.7	15.2%
Total Tourist Arrivals (million)	1.7	1.9	2.8	2.7	3.9	5.0	6.4	N/A	24.7%

Source: Bengbu Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

⁴¹ Based on registered population.

⁴² Registered population.

⁴³ Refers to non-rural population.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the residential property⁴⁴ market in Bengbu for the years indicated:

Bengbu	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Investment in Residential								
Housing (Rmb billion) . .	0.5	1.1	1.3	1.3	1.6	1.9	2.6	1.6 ⁽¹⁾
Residential GFA Completed								
(sq.m. million)	0.6	0.8	1.1	1.0	1.1	0.9	1.0	1.0 ⁽¹⁾
Residential GFA Under								
Construction								
(sq.m. million)	1.1	1.9	2.1	2.4	2.8	3.2	3.4	4.1 ⁽¹⁾
Residential GFA Sold								
(sq.m. million)	0.5	0.5	0.8	1.0	1.1	1.1	1.1	0.7 ⁽²⁾
Average Price of								
Residential Housing								
(Rmb/sq.m.)	N/A	1,451	1,763	1,906	1,925	2,419	2,578	2,990 ⁽²⁾

Source: (2) — JLL estimates, others — Bengbu Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below illustrates key statistics relating to the retail property⁴⁵ market in Bengbu for the years indicated:

Bengbu	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA Completed								
(sq.m.)	0	0	25,000	0	0	42,400	13,003	0
Average Retail Mall								
Rental Value								
(Rmb/sq.m./month)	86	90	110	125	143	158	199	206

Source: JLL estimates

⁴⁴ Residential property includes commodity housing units which can be bought or sold and economic housing units.

⁴⁵ Retail property includes major shopping malls and department stores located in the city's core and emerging retail areas.

INDUSTRY OVERVIEW

Local Planning

Bengbu Economic Development Zone is located south of the old airport area. The 46.9 square kilometer zone is made up of six areas which are separated according to its function: a business district, a city municipal office zone, a logistics park, a university city, a scenic park and an urban industrial park. It also represents a cluster of tertiary industries that are engaged in real estate, retail and other service-related industries.

Project-specific Details

Bengbu Powerlong City Plaza is located in the Economic Development Zone, which was previously known as New Town area. JLL understands that it will likely remain as a focal development area of Bengbu in the future.

Bengbu Powerlong City Plaza is located southeast of Huaihe Culture Square, with a total site area of about 192,000 square meters. The post-modern Huaihe Culture Square has been a symbol of the “New Bengbu” and is considered to be its cultural and entertainment centre, with Bengbu Exhibition Centre, Bengbu Library and Bengbu Opera House all within close proximity.

Situated on Tushan Road, one of the main streets in Bengbu that connects the east and west end of the city, Bengbu Powerlong City Plaza is easily accessible from various parts of the Bengbu city. For example, it is a five minute drive from Bengbu Railway Station and is less than 10 minutes by car from Huaihe Road Commercial Area in the Old Town area.

Bengbu Powerlong City Plaza is a large-scale mixed-use project comprising residential, retail and serviced residence components with a total GFA of 491,209 square meters. The residential portion, which includes three service apartment buildings, three duplex apartment buildings and seven 18-storey apartment buildings, have been sold out since early 2008.

The retail portion of Bengbu Powerlong City Plaza has a total GFA of 272,304 square meters and includes one shopping mall and a few pedestrian retail streets. The pedestrian retail streets and Section A of the shopping mall are scheduled to open in the fourth quarter of 2009 with anchor tenants including Tesco (Shanghai Kangcheng) and Ruijing Commercial. Section B of the shopping mall, which targets information technology, entertainment and fashion tenants, is expected to open in 2010.

INDUSTRY OVERVIEW

HAIYANG

Haiyang is a county-level city under the jurisdiction of Yantai, a prefecture-level city located in north-eastern Shandong. Situated on the coast to the south of Yantai’s city center, Haiyang overlooks the Yellow Sea, with the Korean peninsula across the sea to its east and Qingdao to its south. Haiyang is about 100 kilometers away from both Yantai and Qingdao.

Haiyang covers a total area of about 1,887 square kilometers. Haiyang had a registered population of 0.7 million as at the end of 2008. Haiyang consists of three development zones (Economic Development Zone, Fengcheng Touring Holiday Area and Greencity Industrial Park) along with three street communities 《街道辦事處》 (Dongcun, Fangyuan and Fengcheng) and eleven towns.

City Map of Haiyang



Source: JLL

The Lanyan Railway is the only railway link to Haiyang. The railway connects Lancun with Yantai and other major railway networks across China. Several highways pass through the city, including the Qingwei Expressway, which runs between Qingdao and Weihai, and several highways which link the city to other larger cities such as Yantai and Weifang.

Haiyang’s downtown area is situated at the intersection of Haiyang Road and the Dongcun River. This area began to emerge in early 2004 along with the completion of several mid-end residential developments. According to the 11th Five-Year Plan, Haiyang will continue to focus its economy around industrial based industries. Pillar industries championed by the government include nuclear power, process manufacturing, tourism and infrastructure. JLL believes that in the next years, the Economic Development Zone, Fengcheng Touring Holiday Area and Greencity Industrial Park will be the key development areas in Haiyang.

INDUSTRY OVERVIEW

Haiyang is famous for its extensive beaches. In 2001, the Shandong Provincial government announced plans to develop the Touring Holiday Area in Haiyang as a tourist resort, with total planned land area of approximately 26 square kilometers. The tourist attractions in the holiday area include extensive beaches with panoramic views of Yellow Sea and the Tiger Beach Golf Links. JLL understands that the city's transportation network will be enhanced with the completion of the 58.2 kilometer Binhai Highway. This section of Binhai Highway within the Haiyang Holiday Area is already completed. When fully completed, Binhai Highway will reduce the travelling time from Haiyang to Qingdao to approximately one hour. JLL understands that it will also play an important role in linking Haiyang with other cities.

The local government aims to develop the Haiyang Touring Holiday Area into a new urban area with high-end villas and apartments overlooking the city's beaches and Yellow Sea. Development of high-end hotels, retail facilities and new government offices, are all also part of the local government's vision for the area. In 2006, Haiyang was selected as the host city for the 2012 Asia Beach Games by the Asian Olympic Council. The event will be held in the Haiyang Touring Holiday Area.

Key Statistics

The table below sets forth key economic statistics for Haiyang for the years indicated:

Haiyang	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	5.8	6.9	8.3	10.1	12.0	14.3	18.2	9.3	21.0%
Real GDP Growth Rate (%)									
(year-on-year)	17.2	17.5	16.1	18.1	15.8	16.6	16.1	12.0	–1.1%
Nominal GDP per Capita									
(Rmb) ⁴⁶	8,462	10,195	12,285	15,830	17,950	21,530	N/A	N/A	20.5% ⁴⁷
Population (millions) ⁴⁸	0.68	0.67	0.67	0.67	0.67	0.67	0.67	N/A	–0.2%
Urban Population (millions) ⁴⁹	0.08	0.08	0.09	0.20	0.21	0.22	N/A	N/A	21.5% ⁴⁷
Urban Disposable Income per Capita (Rmb)	6,977	8,067	8,735	9,805	11,317	12,987	15,276	8,671	14.0%
Urban Consumer Expenditure per Capita (Rmb)	5,023	5,579	6,278	6,763	7,203	9,100	9,538	4,945	11.3%
Foreign Direct Investment									
(US\$ million)	98	171	216	122	109	110	43 ⁽²⁾	21 ⁽²⁾	2.3% ⁴⁷
Retail Sales (Rmb billion)	2.2	2.5	3.0	3.8	4.4	5.4	6.5	3.6	19.8%
Total Tourist Arrivals									
(millions)	0.1	0.3	0.3	1.1	1.3	1.8	2.5	1.8	71.0%

Source: Haiyang Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change, (2) based on different statistical method from figures before 2007, according to Haiyang Statistics Bureau.

⁴⁶ Based on registered population.

⁴⁷ CAGR for the period from 2002 to 2007.

⁴⁸ Registered population.

⁴⁹ Refers to non-rural population.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the residential property⁵⁰ market in Haiyang for the years indicated:

Haiyang	2002	2003	2004	2005	2006	2007	2008	First half of 2009⁽¹⁾
Investment in Residential								
Real Estate (Rmb billion)	0.06	0.06	0.5	0.9	0.9	1.2	1.3	0.6
Residential GFA Completed (sq.m. million)	N/A	0.1	N/A	0.3	0.4	0.3	0.4	0.1
Residential GFA Under Construction (sq.m. million)	0.1	0.1	N/A	0.7	1.1	1.1	1.2	1.0
Residential GFA Sold (sq.m. million)	0.04	0.07	0.03	0.26	0.30	0.46	0.37	0.09
Average Price of Residential Properties (Rmb/sq.m.)	1,496	1,574	1,660	1,780	2,173	2,425	2,650	2,680

Source: Haiyang Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the retail property⁵¹ market in Haiyang for the years indicated:

Haiyang	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail GFA Completed (sq.m.)	N/A	N/A	N/A	N/A	N/A	N/A	129,000	0
Average Price of Retail Properties (Rmb/sq.m.)	N/A	N/A	N/A	N/A	N/A	N/A	8,356	8,483
Average Rental Value of Retail Properties (Rmb/sq.m./month)	N/A	N/A	N/A	N/A	N/A	N/A	35.3	34.5

Source: JLL estimates

Note: N/A = Data not available

⁵⁰ Residential property includes commodity housing units which can be bought or sold and economic housing units.

⁵¹ Retail property includes major mid-to-high-end shopping malls and street shops located in the city's core and emerging retail areas.

INDUSTRY OVERVIEW

SUQIAN

Suqian is a prefecture-level city located in northern Jiangsu Province. It is about 250 kilometers away from Nanjing, the capital city of Jiangsu Province. To the west of Suqian is Anhui Province, Xuzhou lies to its northwest, Lianyungang to its northeast and Huai'an to its south. Suqian covers a land area of over 8,500 square kilometers. It administrates two districts and three counties; namely Sucheng District, Suyu District, Shuyang County, Siyang County and Sihong County. The city had a total registered population of 5.3 million at the end of 2008, with 1.7 million residents living in urban areas.

Currently, there are three expressways connecting Suqian to other major cities within the region. They include Beijing-Shanghai Highway, Nanjing-Suqian-Xuzhou Highway and Xuzhou-Suqian-Huai'an-Yancheng Highway. Suqian is located only 60 kilometers and 100 kilometers away from Xuzhou Guanyin International Airport and Lianyungang Airport, respectively. Suqian is also connected to Beijing and Hangzhou through the Grand Canal, which provides the city with convenient water transportation. In addition, Lianyungang Port, with cargo throughput exceeding 100 million tons in 2008, is only about 90 minutes traveling time from Suqian.

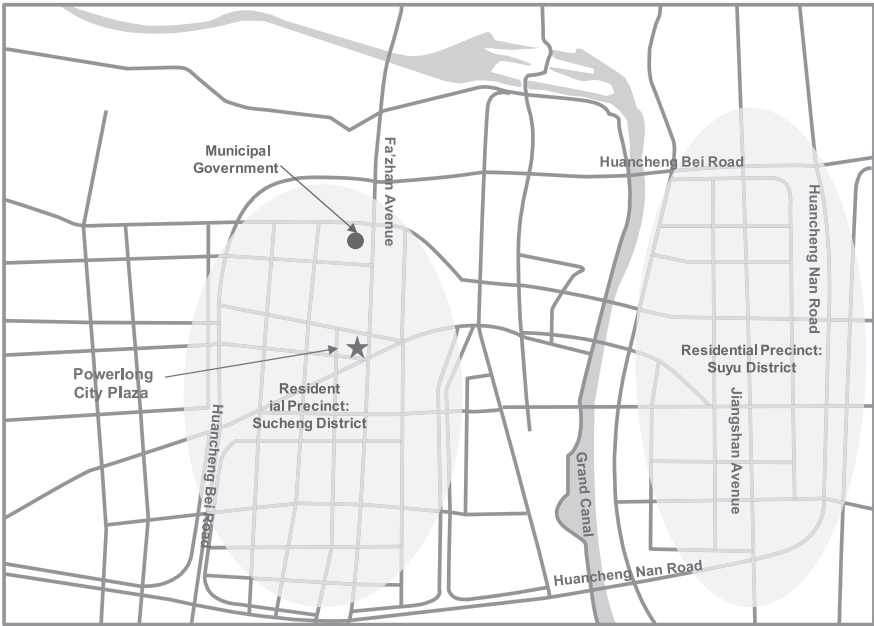
The pillar industries of Suqian include machinery production, electronics, metal smelting and pressing, textile, food and beverage, wood processing and chemical and pharmaceutical. In 2008, Suqian had 86 enterprises with annual revenue of Rmb 100 million and above.

According to the 11th Five-Year Plan for Suqian, the local government will develop Suqian into a modern city by accelerating its urbanization process and improving the living standard of its residents. JLL understands it is also one of the government's objectives to turn Suqian into an environmentally-friendly city.

The target set under Suqian's 11th Five-Year Plan is to achieve nominal GDP per capita of Rmb 14,850 by 2010, doubling the level registered in 2005. Under the 11th Five-Year Plan, the city's average urban disposable income per capita is expected to rise in tandem with stronger economic growth to reach Rmb 11,000 by 2010 from Rmb 7,212 in 2005.

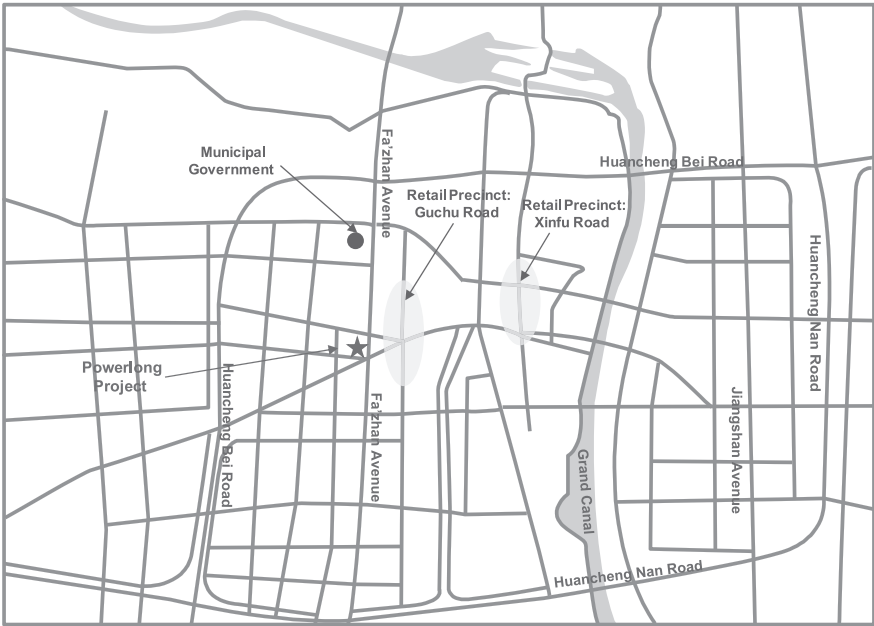
INDUSTRY OVERVIEW

Suqian Major Residential Precincts



Source: JLL

Suqian Major Retail Precincts



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Suqian for the years indicated:

Suqian	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	24.7	27.8	33.6	38.7	45.4	54.2	60.5	N/A	16.1%
Real GDP Growth Rate (%) (year-on-year)	11.5	12.1	13.8	14.5	15.0	15.2	13.3	N/A	—
Nominal GDP Per Capita (Rmb) ⁵²	4,826	5,400	6,462	7,399	9,233	11,178	12,289	N/A	16.9%
Population (million) ⁵³	5.13	5.17	5.21	5.25	5.29	5.32	5.35	N/A	0.7%
Urban Population (million) ⁵⁴	1.47	1.36	1.98	2.08	2.23	1.64	1.70	N/A	—
Urban disposable Income Per Capita (Rmb)	5,041	5,591	6,372	7,212	8,176	9,468	10,959	6,185	13.8%
Per Capita Consumer Expenditure (Rmb)	3,464	3,975	4,404	4,659	4,986	5,810	7,305	N/A	13.2%
Foreign Direct Investment (US\$ million)	23	24	25	33	49	73	95	N/A	26.7%
Retail Sales (Rmb billion)	7.7	7.8	8.7	11.0	13.5	15.9	19.7	11.1	16.9%
Tourist Arrivals (million)	N/A	N/A	1.7	1.8	2.2	2.8	3.7	N/A	21.5% ⁵⁵

Source: Suqian Statistics Bureau, Jiangsu Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below sets forth key statistics relating to the residential property⁵⁶ market in Suqian for the years indicated:

Suqian	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Investment in Residential Real Estate (Rmb billion)	0.5	0.8	1.5	2.7	4.4	5.6	6.8	N/A
Residential GFA Completed (million sq.m.)	0.6	0.5	0.5	1.2	1.8	2.6	1.9	N/A
Residential GFA Under Construction (million sq.m.)	0.8	1.1	2.4	3.2	5.4	8.6	9.6	N/A
Residential GFA Sold (million sq.m.)	0.5	0.6	0.5	1.7	2.1	3.3	3.2	N/A
Average Price of Residential Properties (Rmb/sq.m.)	914	1,015	1,167	1,392	1,454	1,521	1,729	2,216 ⁽¹⁾

Source: (1) — JLL estimates, others — Suqian Statistics Bureau

Note: N/A = Not Available

⁵² Based on registered population.

⁵³ Registered population.

⁵⁴ Refers to non-rural population for the period from 2002 to 2006.

⁵⁵ CAGR for the period from 2004 to 2008.

⁵⁶ Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the retail property⁵⁷ market in Suqian for the years indicated:

<u>Suqian</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Retail GFA Completed (thousand sq.m.). . . .	105,913	126,685	164,655	253,739	609,320	377,776	267,434	N/A
Average Price of Retail Properties (Rmb/sq.m.)	1,871	2,468	3,537	3,292	2,839	3,502	3,332	3,831 ⁽¹⁾
Average Rental Value of Retail Properties (Rmb/sq.m./month) . .	N/A	N/A	N/A	N/A	N/A	26 ⁽¹⁾	25 ⁽¹⁾	28 ⁽¹⁾

Source: (1) — JLL estimates, others — Suqian Statistics Bureau

Note: N/A = Not Available

XINXIANG

Xinxiang is a prefecture-level city located in the northern part of Henan Province and to the north-east of Zhengzhou, which is the provincial capital. Xinxiang comprises four districts, two county-level towns and six counties. It covers a total area of about 8,169 square kilometers, including a city area of about 425 square kilometers.

Xinxiang is a transportation hub, with access to Tianjin to its northeast and the adjacent provinces of Hebei, Shandong, Shanxi and Shaanxi. The city is also the junction point for major east-west and north-south railway lines.

⁵⁷ Retail property includes all types of retail format in the city. When JLL estimated the GFA completed, price and rental value, only major shopping malls, street shops and department stores located in the city's core and emerging retail areas were included.

INDUSTRY OVERVIEW

Being an economic center and transportation hub of northern Henan Province, Xinxiang is one of central China’s key manufacturing and agriculture production bases. Pillar industries in Xinxiang include bio-medical companies, automotive parts manufacturing, equipment manufacturing, food processing and fine chemicals manufacturing. Key enterprises which have established headquarters in Xinxiang include Frestech Refrigerator, Golden Dragon Copper Group, Bailu Chemical Fibre, and Henan Kelong Group.

Xinxiang Map

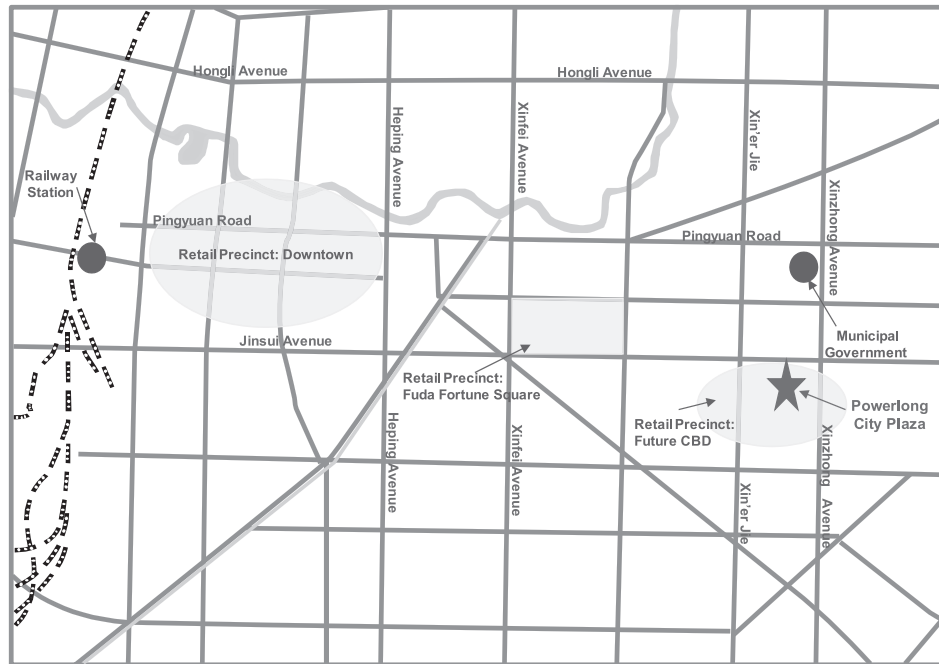


Source: JLL

Under the city’s 11th Five-Year Plan between 2006 and 2010, the government aims to strengthen Xinxiang’s position as an economic center and transportation hub of northern Henan Province. The city also has plans to speed up the construction of the New City Development Zone, where the current municipal government building is situated. JLL understands that, according to city planning, Xinxiang’s urban population is expected to increase by 200,000 between 2008 and 2010. JLL also understands that the city is expected to see a new supply of high-end residential, office and retail premises within the New City Development Zone.

INDUSTRY OVERVIEW

Xinxiang Retail Map



Source: JLL

Key Statistics

The table below sets forth key economic statistics for Xinxiang for the years indicated:

Xinxiang	2002	2003	2004	2005	2006	2007	2008	First half of 2009	CAGR (2002–2008)
Nominal GDP (Rmb billion)	33.3	36.9	45.0	54.4	64.0	77.8	94.9	N/A	19.1%
Real GDP Growth Rate (%) (year-on-year)	10.0	13.5	14.6	14.1	14.5	16.0	13.9	N/A	—
Nominal GDP Per Capita (Rmb) ⁵⁸	6,139	6,763	8,209	9,876	11,557	14,095	16,955	N/A	18.4%
Population (million) ⁵⁹	5.45	5.47	5.49	5.69	5.77	5.58	5.61	N/A	0.5%
Urban Population (million)	0.76	0.79	0.80	0.92	0.94	0.93	0.91	N/A	3.0%
Urban Disposable Income Per Capita (Rmb)	5,642	6,231	7,146	8,312	9,455	11,236	13,000	N/A	14.9%
Per Capita Consumer Expenditure (Rmb)	4,098	4,590	4,971	5,743	6,460	7,933	9,323	N/A	14.7%
Foreign Direct Investment (US\$ million)	37	45	45	60	132	153	225	N/A	35.1%
Retail Sales (Rmb billion)	11.4	12.6	14.4	16.4	19.0	22.5	27.8	N/A	16.0%
Tourist Arrivals (million)	1.8	2.1	4.0	4.9	6.4	7.7	8.8	N/A	30.3%

Source: Xinxiang Statistics Bureau

Note: N/A = Data not available

⁵⁸ Based on registered population.

⁵⁹ Registered population.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the residential property⁶⁰ market in Xinxiang for the years indicated:

<u>Xinxiang</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Investment in Residential								
Real Estate (Rmb billion)	N/A	N/A	N/A	N/A	2.1	3.9	5.4	N/A
Residential GFA Completed (million sq.m.)	N/A	N/A	N/A	N/A	1.4	1.6	2.2	N/A
Residential GFA Under Construction (million sq.m.)	N/A	N/A	N/A	2.9	3.4	5.4	5.6	N/A
Residential GFA Sold (million sq.m.)	0.3	0.2	N/A	0.7	1.2	2.0	1.8	N/A
Average Price of Residential Properties (Rmb/sq.m.)	N/A	N/A	N/A	1,379	1,471	1,990	2,440	2,518 ⁽¹⁾

Source: (1) — JLL estimates, Xinxiang Statistics Bureau, Xinxiang Housing Bureau

Note: N/A = Data not available

The table below sets forth key statistics relating to the retail property⁶¹ market in Xinxiang for the years indicated:

<u>Xinxiang</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Retail GFA Completed (sq.m.)	N/A	N/A	N/A	N/A	N/A	174,000	161,000	N/A
Average Price of Retail Properties (Rmb/sq.m.)	N/A	N/A	N/A	N/A	N/A	N/A	5,601	5,825 ⁽¹⁾
Average Rental Value of Retail Properties (Rmb/sq.m./month) . .	N/A	N/A	N/A	N/A	N/A	N/A	35 ⁽¹⁾	36 ⁽¹⁾

Source: (1) — JLL estimates, others — Xinxiang Statistics Bureau

Note: N/A = Data not available

⁶⁰ Residential property includes commodity housing units which can be bought or sold and economic housing units.

⁶¹ Retail property includes all types of retail format in the city. When JLL estimated the GFA completed, price and rental value, only major shopping malls, street shops and department stores located in the city's core and emerging retail areas were included.

INDUSTRY OVERVIEW

YANCHENG

Yancheng is a coastal city on China’s eastern seaboard located in Jiangsu Province. To the south of Yancheng lies Nantong, which is separated from Suzhou and Shanghai by the Yangtze River. To its north is Lianyungang, an important port in eastern China where the Longhai Railway starts, connecting China to Europe.

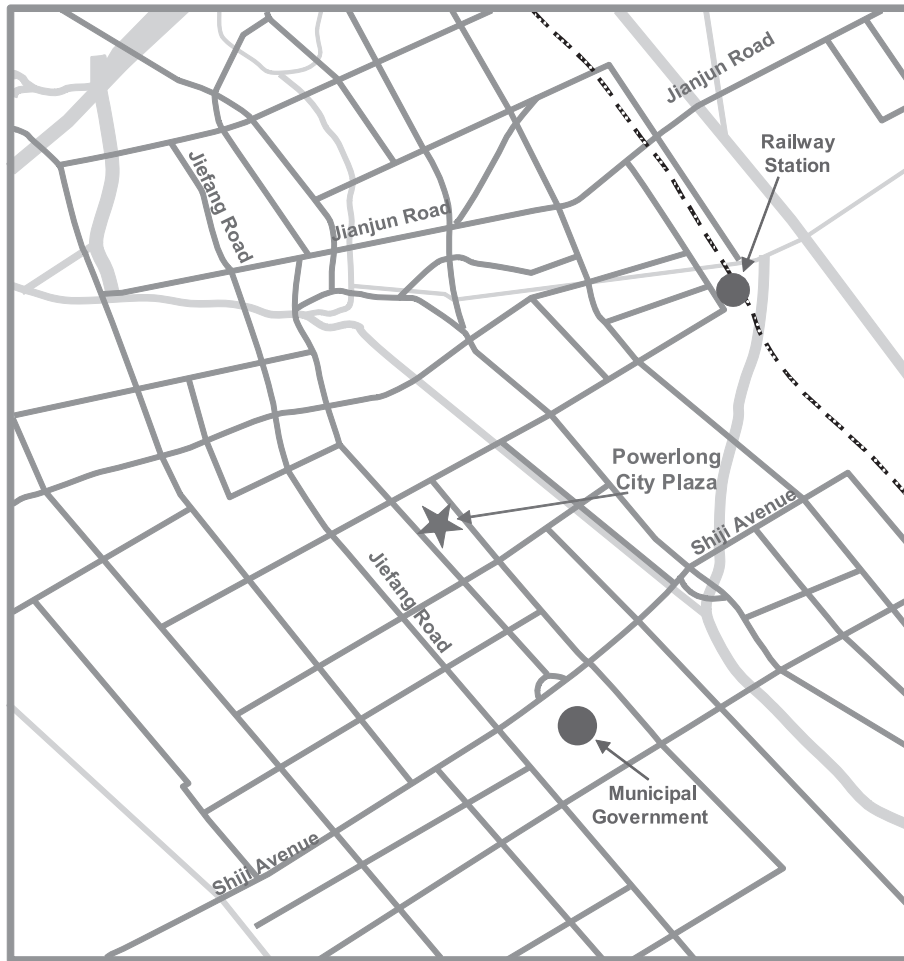
Covering an area of approximately 15,000 square kilometers, Yancheng includes Yandu District, Tinghu District and seven county-level divisions. Tinghu District is the city’s traditional residential and retail area while Yandu District in the city’s south, encompasses the new city development zone. By the end of 2008, Yancheng’s registered population had reached 8.1 million, with 3.6 million residents living in the urban area.

JLL believes that the development of transportation infrastructure in Northern Jiangsu in recent years has improved the city’s connectivity to surrounding areas. Yancheng is connected to Shanghai and Nanjing by the Ningjingyan Expressway, Coastal Expressway and Yanxu Expressway. Yancheng is connected to the Jiangsu railway network via the Xinchang Railway with the new Yancheng Railway Station opening in 2007. The city’s airport, Yancheng Airport, which opened in 2000, is serviced by some of China’s larger domestic airlines and handled about 100,000 passengers and 601 tons of freight in 2008.

In 2008, Yancheng’s nominal GDP reached Rmb 160.3 billion. The Yancheng economy is largely focused around the automotive and textiles industries. Dongfen-Yueda-Kia Automobile is a well-known enterprise in the city. The company’s annual production capacity is expected to reach around 430,000 automobiles by 2010.

INDUSTRY OVERVIEW

Yancheng Map

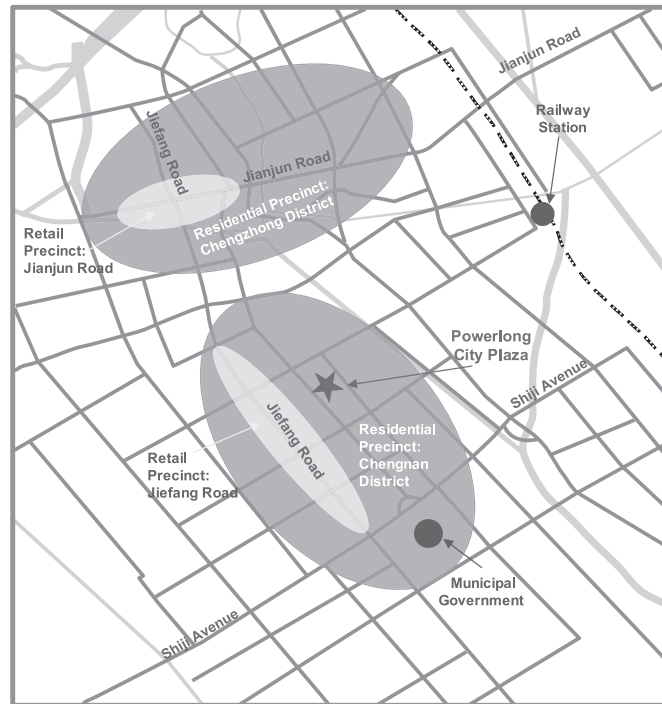


Source: JLL

According to the government's 11th Five-Year Plan, Yancheng's per capita nominal GDP is expected to reach about Rmb 20,490 in 2010, doubling the amount in 2005. By the end of 2010, average urban disposable income per capita is expected to increase to Rmb 16,000 compared to Rmb 10,580 in 2005 while rural net income per capita is expected to rise to Rmb 8,000 from Rmb 4,893 in 2005.

INDUSTRY OVERVIEW

Yancheng Residential and Retail Map



Source: JLL

Key Statistics

The table below sets forth key economic statistics for Yancheng for the years indicated:

Yancheng	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008)
Nominal GDP (Rmb billion)	62.7	69.6	82.0	100.5	117.4	136.8	160.3	N/A	16.9%
Real GDP Growth Rate (%) (year-on-year)	11.4	13.0	14.0	14.3	15.1	15.0	13.2	N/A	—
Nominal GDP Per Capita (Rmb) ⁶²	7,884	8,739	10,427	12,849	15,177	18,000	21,233	N/A	18.0%
Population (million) ⁶³	7.96	7.97	7.98	7.99	8.05	8.08	8.12	N/A	0.3%
Urban Population (million) ⁶⁴	2.31	2.70	2.88	2.86	2.90	3.55	3.63	N/A	—
Urban Disposable Income Per Capita (Rmb)	7,274	8,059	9,362	10,580	12,052	13,857	15,862	N/A	13.9%
Per Capita Consumer Expenditure (Rmb)	5,507	5,581	6,566	7,293	7,378	8,400	9,174	N/A	8.9%
Foreign Direct Investment (US\$ million)	166	239	154	162	325	935	944	N/A	33.6%
Retail Sales (Rmb billion)	21.1	22.5	27.4	31.7	36.8	43.3	54.3	29.8	17.1%
Tourist Arrivals (million)	3.8	4.2	4.7	5.3	6.1	6.1	8.1	4.2	13.4%

Source: Yancheng Statistics Bureau, Jiangsu Statistics Bureau

Note: N/A = Data not Available, (1) Represents preliminary data which is subject to change

⁶² Based on registered population.

⁶³ Registered population.

⁶⁴ Refers to non-rural population for the period from 2002 to 2006.

INDUSTRY OVERVIEW

The table below sets forth key statistics relating to the residential property⁶⁵ market in Yancheng for the years indicated:

Yancheng	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Investment in Residential								
Real Estate (Rmb billion)	1.3	1.8	2.6	3.8	5.0	7.6	8.7	N/A
Residential GFA Completed (million sq.m.)	1.1	1.3	1.3	2.1	2.5	2.2	3.0	N/A
Residential GFA Under Construction (million sq.m.)	1.8	2.4	2.9	4.7	5.1	6.4	7.8	N/A
Residential GFA Sold (million sq.m.)	0.9	1.4	1.0	1.6	2.5	2.8	2.7	N/A
Average Price of Residential Properties (Rmb/sq.m.)	1,123	1,050	1,381	1,680	1,868	2,156	2,569	2,774 ⁽¹⁾

Source: (1) — JLL estimates, others — Yancheng Statistics Bureau; Yancheng Housing Bureau

Note: N/A = Data not available

The table below sets forth key statistics relating to the retail property⁶⁶ market in Yancheng for the years indicated:

Yancheng	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail GFA Completed (sq.m.)	N/A	N/A	N/A	N/A	N/A	272,000	574,900	N/A
Average Price of Retail Properties (Rmb/sq.m.)	N/A	N/A	N/A	N/A	N/A	3,762	4,258	4,769 ⁽¹⁾
Average Rental Value of Retail Properties (Rmb/sq.m./month)	N/A	N/A	N/A	N/A	N/A	24 ⁽¹⁾	27 ⁽¹⁾	29 ⁽¹⁾

Source: (1) — JLL estimates, others — Yancheng Statistics Bureau

Note: N/A = Not Available

⁶⁵ Residential property includes commodity housing units which can be bought or sold and economic housing units.

⁶⁶ Retail property includes all types of retail format in the city. When JLL estimated GFA completed, price and rental value, only major shopping malls, street shops and department stores located in the city's core and emerging retail areas were included.

INDUSTRY OVERVIEW

CHANGZHOU

Changzhou is a major city, situated in the south of Jiangsu Province. It borders Wuxi City to the east, Taihu Lake to the south, Nanjing City to the west and the Yangtze River to the north. The city is situated in the Yangtze Delta region of China. Changzhou is administratively divided into 2 county-level cities — Jintan and Liyang, and five districts — Wujin, Xinbei, Tianning, Zhonglou and Qishuyan. Changzhou covers a total area of approximately 4,385 square kilometers and has a registered population of approximately 3.6 million as of the end of 2008.

As one of the major manufacturing bases in the Yangtze River Delta area, Changzhou's manufacturing industry contributes approximately 60% of Changzhou's nominal GDP in 2008. The key industries in Changzhou include smelting and pressing of ferrous metals, raw chemical materials and chemical products, textile, electronic equipment and machinery, and general equipment manufacturing. Since the establishment of a state-level high-tech development zone in Xinbei District in 1992, Changzhou's government has been putting increasing emphasis on developing high-tech industries in the district.

Changzhou is well connected to nearby cities by various means of transportation. Changzhou Railway Station is one of the busiest stations along the Beijing-Shanghai Railway. With regard to expressways, the Shanghai-Nanjing Expressway connects Changzhou with Nanjing to the west and Shanghai to the east. Looking forward, JLL understands that the Shanghai-Nanjing Intercity railway, which is currently under construction, will further enhance the transportation network into Changzhou after it is completed in July 2010. In addition, the Beijing-Shanghai Express Railway, which is slated for completion in 2012, will shorten traveling time between Shanghai and Changzhou to only 40 minutes. JLL understands the Beijing-Hangzhou Expressway, upon its completion in 2012, will also give travelers improved access to Changzhou by road.

INDUSTRY OVERVIEW

To improve the city’s traffic conditions, the Changzhou government built an express public transportation network — the Bus Rapid Transportation (“BRT”) lines. BRT Line 1, which began operation in April 2008, starts from Xinbei District in the north, goes through the city center and ends in Wujin District in the south. BRT Line 2, which began operation in May 2009, starts from Qishuyan District in the east. The line goes through the city center and ends in Zhonglou District in the west. A BRT Line 3 is currently being planned. JLL believes that the growth of BRT lines have strengthen Changzhou’s intra-city transportation network and has not only improved the mobility of shoppers, residents, workers and tourists in Changzhou but also has made residential and commercial developments located outside the city center more accessible.

Changzhou Map



Source: JLL

INDUSTRY OVERVIEW

Key Statistics

The table below sets forth key economic statistics for Changzhou for the years indicated:

Changzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽¹⁾	CAGR (2002–2008) (%)
Nominal GDP (Rmb billion)	76.1	90.1	110.1	130.3	156.9	188.1	220.2	116.7	19.4%
Real GDP Growth Rate (%) (year-on-year)	12.4	14.5	15.5	15.1	15.2	15.6	12.4	10.7	—
Nominal GDP per Capita (Rmb) ⁶⁷	22,215	26,149	31,665	31,997	37,435	43,695	50,283	N/A	16.3% ⁶⁸
Population (million) ⁶⁹	3.43	3.46	3.49	3.52	3.55	3.57	3.59	N/A	0.8%
Urban Population (million) ⁷⁰	1.58	2.01	2.07	2.13	2.58	2.65	2.69	N/A	6.0% ⁷¹
Urban Disposable Income per Capita (Rmb)	9,933	11,303	12,867	14,589	16,649	19,089	21,592	12,065	13.8%
Urban Consumer Expenditure per Capita (Rmb)	7,973	8,944	9,878	10,718	12,503	13,789	14,967	7,848	11.1%
Direct Foreign Investment (US\$ million)	561	855	580	731	1,251	1,835	2,040	N/A	24.0%
Retail Sales (Rmb billion)	24.9	28.1	32.4	44.4	51.6	61.1	75.8	43.5	20.4%
Total Tourist Arrivals (million)	6.9	8.3	10.6	13.0	15.2	17.7	20.7	N/A	20.1%

Source: Changzhou Statistics Bureau

Note: N/A = Data not available, (1) Represents preliminary data which is subject to change

The table below illustrates key statistics relating to the residential property⁷² market in Changzhou for the years indicated:

Changzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009 ⁽²⁾
Investment in Residential Real Estate (Rmb billion)	3.0	3.7	7.2	7.9	12.3	16.2	21.1	N/A
Residential GFA Completed (sq.m. million)	2.3	1.9	1.9	4.0	3.0	4.9	5.4	N/A
Residential GFA Under Construction (sq.m. million)	4.4	4.9	7.4	9.5	13.5	17.0	18.4	N/A
Residential GFA Sold (sq.m. million)	3.7	3.4	4.6	3.6	4.1	5.1	4.3	3.6
Average Price of Residential Properties (Rmb/sq.m.)	2,376 ⁽¹⁾	2,633 ⁽¹⁾	2,889 ⁽¹⁾	3,380	3,645	3,765	3,886	4,219

Source: (1) — JLL estimates, others — Changzhou Statistics Bureau, Changzhou Real Estate Information Center

Note: N/A = Data not available, (2) Represents preliminary data which is subject to change

⁶⁷ Based on registered population for the period from 2002 to 2004. Remaining years are based on resident population.

⁶⁸ CAGR for the period from 2005 to 2008.

⁶⁹ Registered population.

⁷⁰ Refers to non-rural population for year 2002.

⁷¹ CAGR for the period from 2003 to 2008.

⁷² Residential property includes commodity housing units which can be bought or sold and economic housing units.

INDUSTRY OVERVIEW

The table below illustrates key statistics relating to the retail property⁷³ market in Changzhou for the years indicated:

Changzhou	2002	2003	2004	2005	2006	2007	2008	First half of 2009
Retail Mall GFA								
Completed (sq.m.) . .	0	0	20,000	138,000	0	145,000	0	0
Average Retail Mall								
Price (Rmb/sq.m.) . . .	25,586	26,855	26,883	27,303	28,124	29,323	30,230	31,819
Average Retail Mall								
Rental Value (Rmb/ sq.m./month)	192	197	197	198	199	203	207	212

Source: JLL estimates

Project-specific Details

JLL understands that the company’s proposed project in Changzhou will be named Changzhou Powerlong City Plaza and is located in Zhonglou District to the city’s west. The project covers a site area of approximately 270,000 square meters, with construction to commence in December 2009. Upon its completion, Changzhou Powerlong City Plaza will comprise of residential, retail and hotel components.

Zhonglou District is linked to the city center and other districts by BRT Line 2. The BRT lines have shortened the traveling time between Zhonglou District and other districts in Changzhou and improved the accessibility of residential and commercial developments in Zhonglou District, including Changzhou Powerlong City Plaza. In addition to the BRT lines, an elevated ring road, which links the four major districts in Changzhou, is currently under construction. Upon its expected completion in 2010, it will further enhance the accessibility of Changzhou Powerlong City Plaza.

JLL understands that currently, there are no major shopping malls in the ZEDZ. Many residents living in the area typically go to the CBD to fulfill their shopping needs. About three kilometers away from Changzhou Powerlong City Plaza in the east, there is a small retail center anchored by Auchan Hypermarket and a number of fashion and food and beverage retailers occupying the ground floor.

⁷³ Retail property includes major shopping malls and department stores located in the city’s core and emerging retail areas.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

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

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

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

REORGANIZATION

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

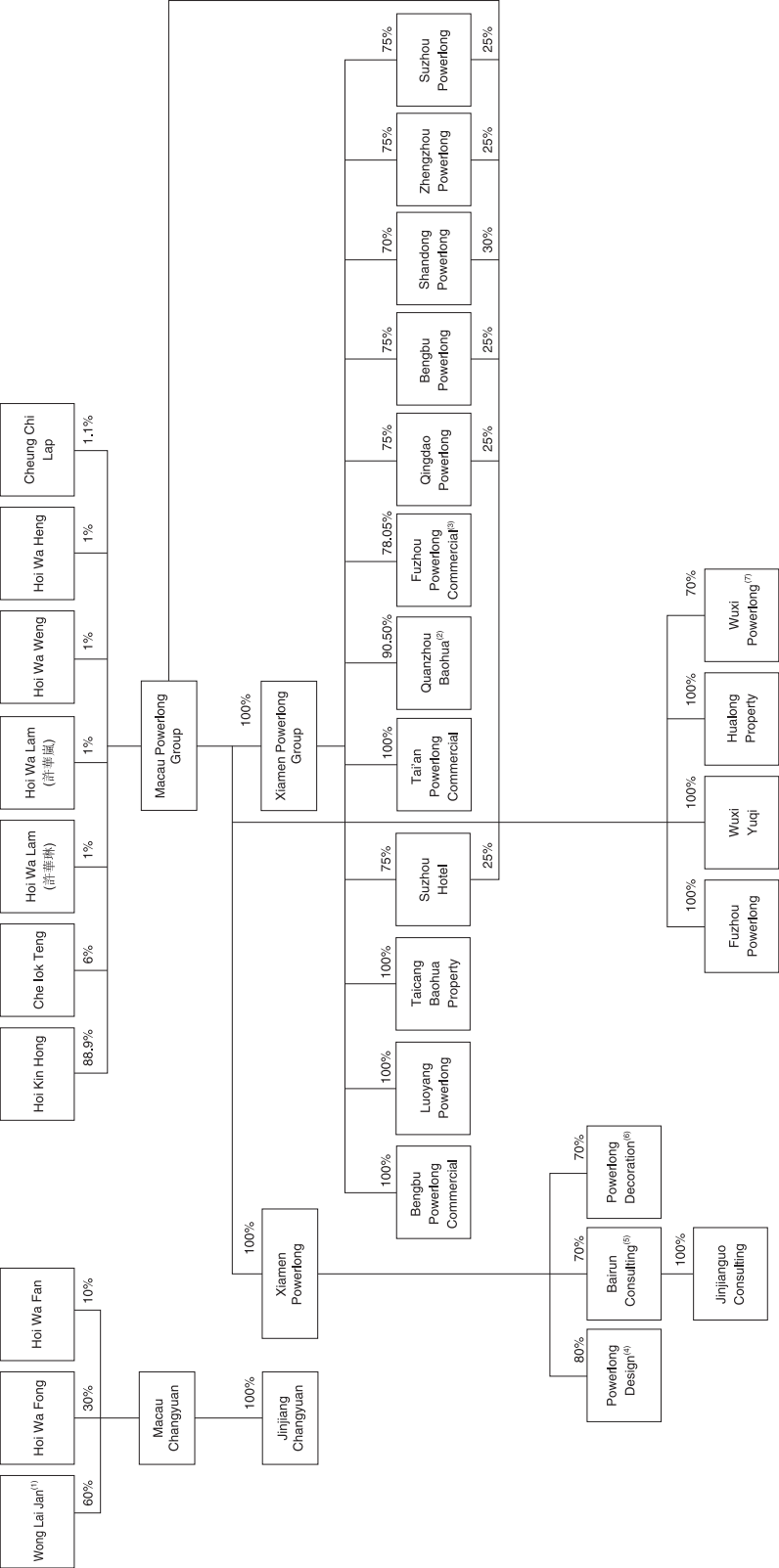
Prior to the Reorganization, our key businesses and companies were held by Macau Powerlong Group, Xiamen Powerlong Group, Xiamen Powerlong and Macau Changyuan, all of which are ultimately controlled by our founder, Hoi Kin Hong, and his immediate family members, but all of which engage in dissimilar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

	Shareholders	Shareholding	Principal activities
Macau Powerlong Group . . .	● Hoi Kin Hong ● Che Lok Teng (sister-in-law of Hoi Kin Hong) ● Hoi Wa Lam (許華琳 niece of Hoi Kin Hong) ● Hoi Wa Lam (許華嵐 niece of Hoi Kin Hong) ● Hoi Wa Weng (niece of Hoi Kin Hong) ● Hoi Wa Heng (niece of Hoi Kin Hong) ● Cheung Chi Lap (brother-in-law of Hoi Kin Hong)	88.9% 6% 1% 1% 1% 1% 1.1%	Lease of properties
Xiamen Powerlong Group . . .	● Macau Powerlong Group	100%	Research on property investment
Macau Changyuan	● Wong Lai Jan (wife of Hoi Kin Hong) for Hoi Kin Hong ● Hoi Wa Fong (son of Hoi Kin Hong) ● Hoi Wa Fan (daughter of Hoi Kin Hong)	60% 30% 10%	Inactive

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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



Notes:

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Establishment of the Intermediate Holding Companies

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

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

Ownership Interests in Our Company

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

Incorporation of Certain PRC Subsidiaries

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Acquisition of Equity Interests in the Project Companies

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

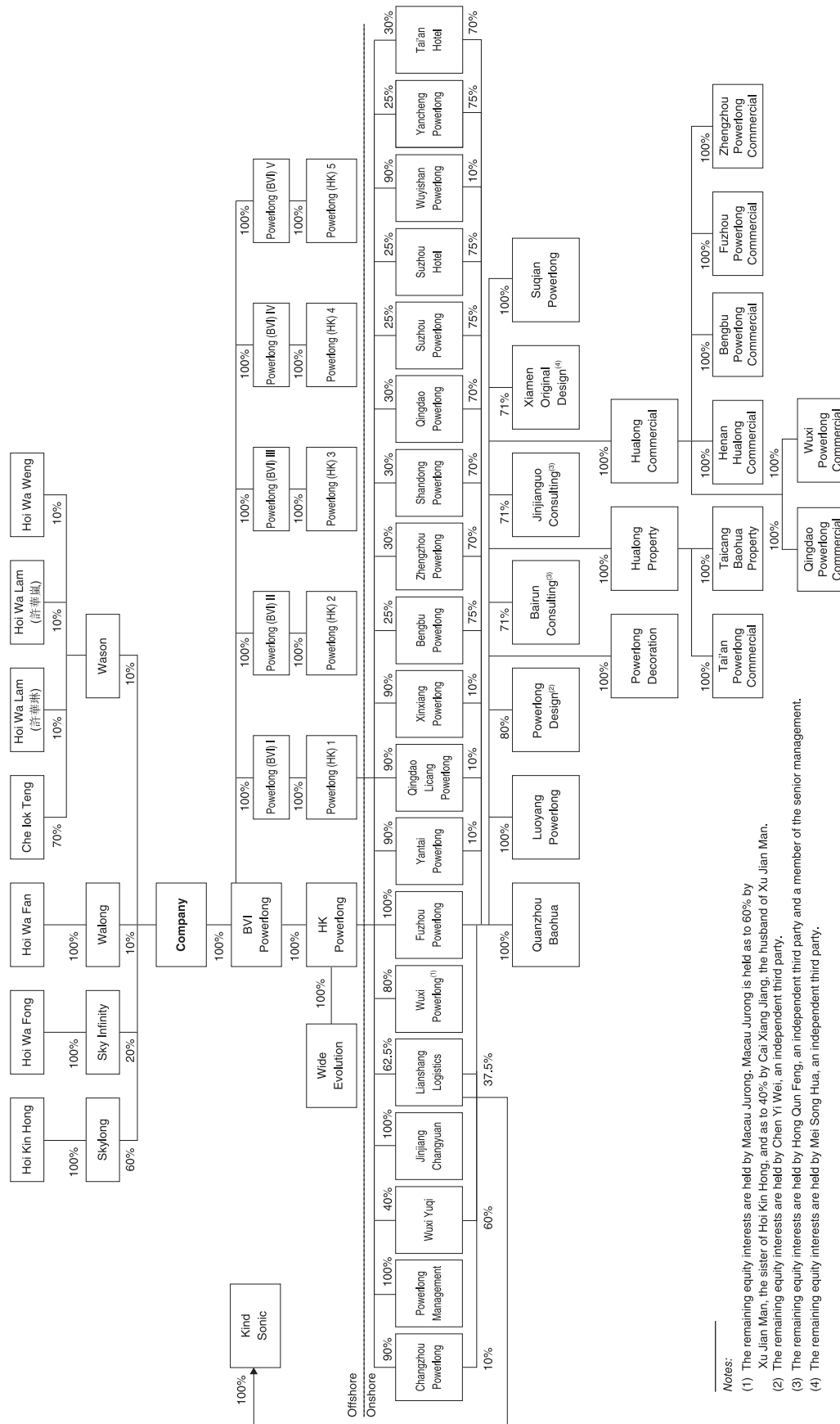
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Change in Share Capital

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

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

CONVERTIBLE BONDS AND SECURED NOTES

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

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

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

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

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

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

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

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

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

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

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

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

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

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

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

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

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

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

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

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

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

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

Warrants

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

Capitalization Issue

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC GOVERNMENTAL APPROVALS

Pursuant to the Notice on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 promulgated by SAFE on October 21, 2005, domestic resident natural persons are required to register with the relevant local SAFE branches before they establish or come to control any offshore special purpose company for the purpose of capital raising with assets or equity interests of their PRC domestic companies. Such domestic resident natural persons are also required to amend their registrations with the local SAFE branches in specified circumstances. Two of our Controlling Shareholders, Hoi Kin Hong and Hoi Wa Fong, have completed such registration with SAFE.

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

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

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

BUSINESS

OVERVIEW

We believe we are a leading commercial property developer in China specializing in the development and operation of high-quality, large-scale, multi-functional commercial complexes. Our existing property projects are generally located in prime positions close to the city center of fast-growing, emerging cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province and Anhui Province. We intend to expand our commercial property development operations predominantly to other second or third-tier cities in China with high growth potential. In 2006, 2007 and 2008, we were recognized as a top brand, among commercial and tourism related real estate brands, by China Real Estate Top 10 Research Group, based on a combination of factors, including our market position, brand recognition and customer satisfaction. We were named as one of the top 100 real estate enterprises in China in 2006, 2007, 2008 and 2009, by the same organization based on a range of factors such as total assets, total revenue, net profit and GFA completed and under development.

We believe we have a distinctive business model that sets us apart from most other property developers in China. We sell all residential properties and a portion of our commercial properties to generate cash flow for our business operations and retain ownership of a significant portion of our commercial properties for long-term investment to generate recurring rental income and realize potential capital appreciation, while most other real estate developers in China have focused on strata sale of properties they develop. We believe this business model allows us to diversify our revenue sources and reduce our reliance on a particular sector of the real estate market. We focus primarily on fast-growing, emerging cities in China, which enables us to acquire land at relatively low cost and avoid the high levels of competition prevalent in first-tier cities. During the Track Record Period, we designated all of our residential properties and approximately half of our commercial properties for sale and retained the remaining half of our commercial properties for investment purposes. Our policy going forward will generally continue to follow our current practice with respect to properties for sale and properties to be retained for investment, although we expect to retain a greater portion of our properties for investment in the future. This policy, however, is subject to our assessment from time to time of our overall financial condition, results of operations and cash flow requirements. We will also take into account the operation and management of the relevant commercial project, the attractiveness of the property to the market and overall market conditions when we decide whether to keep a particular commercial project and how much of our portfolio to keep as investment properties.

As of June 30, 2009, we had a total of 17 property development projects at various stages of development in 14 cities in China as follows:

- *Completed properties.* We had completed four projects, of which three are located in Fujian Province and one is located in Henan Province, with a total GFA of 660,302 square meters, of which we currently hold a total GFA of 238,760 square meters available for lease.
- *Properties under development.* We had seven projects under development with a total GFA of 3,316,611 square meters, of which three are located in Jiangsu Province, two are located in Shandong Province, one is located in Henan Province and one is located in Anhui Province. We had completed construction of an aggregate of 538,675 square meters of GFA in various projects under development, with respect to which we are currently applying for the certificates of completion.

BUSINESS

- *Properties held for future development.* We had six projects held for future development with a total GFA of 3,900,720 square meters, of which three are located in Jiangsu Province, two are located in Shandong Province and one is located in Henan Province.

We hold a 100% equity interest in all the above projects except for Wuxi Powerlong City Plaza, in which we hold an 80% interest. Of the 7,217,331 square meters of GFA under development and held for future development as of June 30, 2009, an estimated total GFA of approximately 3,861,621 square meters related to residential properties, and an estimated total GFA of 3,355,710 square meters related to commercial properties.

We focus on the development and operation of large-scale commercial complexes and therefore, the acquisition of land at competitive prices and in the right locations is critical to our overall development strategy. As of June 30, 2009, we had properties under development with a total site area of 1,525,474 square meters in Suzhou City and Wuxi City in Jiangsu Province, Qingdao City and Tai'an City in Shandong Province, Luoyang City in Henan Province as well as Bengbu City in Anhui Province. As of the same date, we also had properties held for future development with a total site area of 1,786,885 square meters in Suqian City, Yancheng City and Changzhou City in Jiangsu Province, Qingdao City and Yantai City in Shandong Province as well as Xinxiang City in Henan Province. We continually search for development sites that meet our selection criteria and plan to maintain our land reserves at levels sufficient to support our operations for three years on a rolling basis. We typically finance our land acquisition costs with cash generated internally from our operations and bank borrowings. However, as we grow larger and gain more access to capital markets, we may also finance our land acquisition costs with other debt or equity instruments.

We believe our products are competitive in the PRC real estate market. Our property development projects typically comprise large-scale commercial complexes and residential properties in second or third tier cities. Our property developments are among the largest integrated commercial projects in the cities where they are located and typically have a total GFA ranging between 200,000 to 500,000 square meters each. Our “Powerlong City Plazas” are integrated commercial-residential complexes and typically include the following categories of properties:

- large-scale commercial premises that contain supermarkets, department stores, retail shops, cinemas, food courts and other recreational facilities; and
- quality residential properties with low- and/or high-rise apartment buildings, residential suites and villas.

Depending on the location of our projects and market demand, our future commercial complex projects may also include the following categories of properties:

- high-quality hotels managed by internationally recognized hotel management companies; and
- large-scale indoor amusement parks.

We are currently developing three high-quality hotels as part of our project developments in Suzhou City, Qingdao City and Tai'an City and have engaged a subsidiary of Starwood Hotels Resorts Worldwide Inc. to manage these hotels.

BUSINESS

The total GFA of properties we delivered during the Track Record Period was 75,039 square meters in 2006, 129,947 square meters in 2007, 287,274 square meters in 2008 and 179,805 square meters in the six months ended June 30, 2009. For 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 402.8 million, Rmb 1,025.8 million, Rmb 1,583.8 million and Rmb 1,294.3 million, respectively, and our profit attributable to our equity holders was Rmb 117.4 million, Rmb 603.3 million, Rmb 932.7 million and Rmb 330.1 million, respectively. Our revenues fluctuated during the Track Record Period largely because our total GFA delivered varied from period to period as we did not recognize revenue until we completed and delivered our properties. We typically develop our properties in phases, but a large-scale development project may take up to two years to complete. Our results of operations are limited by the number of properties that we can develop or complete during any particular period as a result of the substantial capital requirements for land acquisition and project construction, limited land supplies and lengthy development periods. For example, our ability to obtain land reserves and raise capital to finance our property development is affected by factors such as the prevailing macro-economic conditions and PRC regulatory environment. If we experience an economic downturn similar to the recent global financial crisis or if the PRC government tightens its regulatory policies in relation to the property development industry, our property development activities may be adversely impacted, which may also have a flow-on effect on our cash flow and results of operations. In addition, as most of our property projects typically take a number of months to reach pre-sale status from the commencement of construction, we do not receive cash flows from pre-sales until a few months after construction begins with respect to a property.

We maintain a certain level of indebtedness to finance our property development operations. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate outstanding bank borrowings was Rmb 129.0 million, Rmb 760.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively. In addition to our total indebtedness described above, we had outstanding guarantees in respect of our customers’ mortgage loans amounting to approximately Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. In addition, we also issued debt securities during the Track Record Period to raise additional financing. For more information, see the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document. We had total outstanding Secured Bonds and Secured Notes of Rmb 415.0 million as of June 30, 2009. The interest payable on the Secured Bonds and Secured Notes expected to be accrued up to the Latest Practicable Date is approximately Rmb 43.7 million. During the Track Record Period, our net cash inflow from operating activities was Rmb 490.9 million, Rmb 1,047.4 million, Rmb 131.3 million and Rmb 335.0 million, respectively. As of June 30, 2009, our cash and cash equivalents was Rmb 272.2 million. Our ability to finance our indebtedness and maintain a healthy level of cash inflow may be affected by various factors, including those discussed under the section entitled “Risk Factors” in this document.

We incurred a substantial amount of interest expenses in relation to our bank borrowings, Convertible Bonds and Secured Notes, as well as Secured Bonds and Secured Notes during the Track Record Period and we capitalized a large portion of these interest expenses. In particular, we incurred a total interest expense of Rmb 329.6 million in relation to our Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes during the Track Record Period, of which Rmb 294.6 million had been capitalized. These capitalized interest expenses were recorded as part the development costs of the properties held for development in Suqian, Yantai, Xinxiang, Yancheng, Licang and Changzhou which we acquired using the proceeds from

BUSINESS

the issuance of the Convertible Bonds and Secured Notes. These capitalized interest expenses had no impact on our financial position during the Track Record Period as they were not capitalized under properties which we delivered or expect to deliver in 2009. Going forward, we expect to recognize such capitalized interest expenses as cost of sales progressively according to our project completion and delivery schedule. We do not expect these capitalized interest expenses to have any material adverse impact on our gross profit margin or financial position.

We typically arrange for various banks to provide mortgage facilities to purchasers of our properties who require mortgage loans and are required to provide guarantees to these banks up to the time of delivery of properties in respect of mortgages offered to our customers. We had outstanding guarantees in respect of our customers' mortgage loans amounting to approximately Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. However, we did not encounter any mortgage loan default by customers with respect to which we were required by mortgagee banks to honor our guarantee obligations. We intend to retain an increasing portion of our commercial properties for recurring rental income and/or for capital appreciation and to sell our residential properties for cash flow. As a result, our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment or if we sell fewer properties. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from sales of properties amounted to Rmb 399.3 million, Rmb 982.7 million, Rmb 1,511.8 million and Rmb 1,255.6 million, respectively, representing approximately 99.1%, 95.8%, 95.5% and 97.0%, respectively, of our total revenue. As of June 30, 2009, we had pre-sold a total GFA of 407,028 square meters in respect of our properties under development. We started to lease out our investment properties in December 2006. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had leased out a total GFA of 6,436 square meters, 95,585 square meters, 104,875 square meters and 113,348 square meters, respectively. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our rental income amounted to Rmb 0.2 million, Rmb 32.2 million, Rmb 53.3 million and Rmb 28.4 million, respectively, representing approximately 0.1%, 3.1%, 3.4% and 2.2%, respectively, of our total revenue.

Our investment properties are subject to revaluation as of each balance sheet date and therefore, gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated statement of comprehensive income, which may have a substantial effect on our results. Our completed investment properties had a fair value of Rmb 144.0 million, Rmb 1,073.0 million, Rmb 2,173.0 million and Rmb 2,168.9 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, generating a fair value gain of Rmb 121.1 million, Rmb 533.0 million, Rmb 856.0 million and Rmb 2.4 million for 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, the after tax impact of which represented approximately 66.0%, 65.9%, 68.5% and 0.5% of our profit for the year in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Our independent property valuer used the investment method to value our completed investment properties because such method reflected the value of the property during the lease period of the property. The completed investment properties we held as of June 30, 2009 were located in Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza. Of our top 10 tenants in terms of space occupied in our investment properties as of June 30, 2009, two were companies controlled by our Controlling Shareholders. In 2007 and 2008 and the six months ended June 30, 2009, our rental income attributable to tenants controlled by our Controlling Shareholders was approximately Rmb 15.1 million, Rmb 16.9 million and Rmb 2.1 million, respectively, which represented 46.9%, 31.7%

BUSINESS

and 7.6%, respectively, of our total rental income in the same periods. We expect our rental income attributable to tenants controlled by our Controlling Shareholders to be approximately Rmb 13.5 million in 2009, representing 16.4% of our expected total rental income in 2009.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following principal strengths enabling us to compete in the commercial real estate markets in China:

Distinctive “Powerlong” business model

We focus on the development of large-scale commercial properties and have formulated a business model that we believe distinguishes us from our competitors. Our “Powerlong” business model has the following features:

- we select fast-growing, emerging cities in China with relatively low land cost and potential for future growth to develop large-scale integrated commercial properties;
- we invite domestic and international brands to be our long-term anchor tenants in order to meet consumer demand and enhance the attractiveness, reputation and property value of our commercial properties;
- we generally develop our properties in multiple phases. In early phases, we sell the residential properties and part of the commercial properties to generate healthy cash flow to satisfy the capital needs of the remaining phases of the project; and
- we strategically retain long-term ownership of our quality commercial properties for recurring rental income and potential capital appreciation.

We believe our “Powerlong” business model allows us to expand rapidly with relatively low capital outlays, achieve attractive returns and obtain stable cash flow. We also believe it provides us with a diversified revenue source and lowers the risk of over-reliance on any particular property sector to ensure our continued success.

Sizable land reserves acquired at relatively low cost

We believe land reserves acquired at relatively low cost are paramount to our long-term growth and profitability. Most of the parcels of land we have acquired are located in fast-growing, emerging cities. Through our in-depth knowledge of local urban planning, we endeavor to acquire sites in areas with good growth potential and which we believe will become new commercial districts. We design projects that meet market demand and the future expansion plans of the cities, in order to provide a one-stop solution to the commercial and entertainment needs of local residents and enhance the living environment of the communities in which our properties are located. We believe that our established brand name, reputation, track record as a leading commercial property developer and ability to design projects in line with local urban planning provide us with a competitive edge and stronger bargaining power relative to our competitors when acquiring land. As of the Latest Practicable Date, we had land reserves with an aggregate site area of approximately 2,726,759 square meters in respect of which we had obtained the relevant land use rights certificates. As of the Latest Practicable Date, we had signed the relevant land grant or transfer contracts but had not obtained the land use rights certificates with respect to parcels of land with a total site area of approximately 845,886 square

BUSINESS

meters. We believe the relatively low cost of our acquired land reserves has enhanced our ability to respond to changing market conditions, which will continue to underpin our profitability and future success.

Well-recognized brand name and established reputation

We are a leading commercial property developer in China. Our successful operations since our inception have helped us to develop our brand name “Powerlong Real Estate” and our product brand “Powerlong City Plaza” to generally represent large-scale, high-quality, innovative and well-designed commercial-residential complexes. We believe that our brand name has become synonymous with landmark integrated commercial-residential complexes in the cities where we have operations. We also believe that our well-recognized brand name coupled with our distinctive model of property development have helped us to command premium pricing and thus increased our profitability.

We have received many awards in recognition of the high-quality design and construction of our successful property development operations. These awards have a validity of one year and are issued by the organizers based on their assessment of the candidates’ total assets, total liabilities, total revenue, net profit, GFA under development, GFA of completed properties, land reserves, donations made to charitable organizations and other considerations. During the Track Record Period, we received, among others, the following awards:

- In 2006, 2007 and 2008, we were recognized as a top brand in commercial and tourism related property development (中國房地產商旅地產專業領先品牌) by China Real Estate Top 10 Research Group.
- In 2006, 2007 and 2008, our “Powerlong City Plaza” brand was included in the top 10 real estate project brands in China (中國房地產項目品牌價值Top 10) by China Real Estate Top 10 Research Group.
- In 2006, 2007, 2008 and 2009, we were included in the top 100 real estate enterprises nationwide in China (中國房地產百強企業) by China Real Estate Top 100 Research Group.

We believe that our well-recognized brand name will help us to successfully replicate our past success in other regional markets across China in which we choose to execute our expansion strategy.

Long-term strategic partnerships with domestic and international brands

We provide a one-stop shopping solution for customers visiting our commercial complexes, offering a diverse range of products and services, including shopping, dining, hospitality, recreation, entertainment and business. We seek to maintain the quality and attractiveness of our commercial complexes by establishing long-term strategic partnerships with domestic and international brands across a wide spectrum of industries. Many of these brands, such as Fujian Xinhua Department Stores (福建新華都百貨), Carrefour, Gome Electronics (國美電器), and Jinyi Cinema (金逸影城), have become our anchor tenants in our commercial complexes. We believe our relationships with these well-recognized and reputable anchor tenants enhance our ability to secure recurring rental income.

BUSINESS

Most of our leases with anchor tenants are for a term of 10 to 20 years. In 2009, we also entered into lease agreements with Ruijing Commercial and Tesco (Shanghai Kangcheng) with respect to certain retail space in Bengbu Powerlong City Plaza, and with Qingdao Outlets and KFC with respect to certain retail space in Qingdao Powerlong City Plaza. In addition, we have entered into letters of intent for strategic co-operation with a number of our potential tenants, such as Lianhua Supermarket, Suning Electronics (蘇寧電器) and McDonald's. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation, desirability and pedestrian traffic of our commercial complexes, which in turn will increase the overall value of the projects and our profitability. In addition, by forging close and long-term working relationships with our anchor tenants, we believe we can better serve their needs and preferences.

From time to time, we also seek input from some of our largest anchor tenants in relation to the design and construction of our commercial properties in the early stages of project development to help secure the long-term tenancy of our anchor tenants. Some of our customers, such as Carrefour and Gome Electronics, have taken up their actual tenancy or expressed willingness to take up tenancy in a number of our projects. We believe that by understanding the needs of our anchor tenants, we will be able to increase operating efficiencies and lower risks in our future projects. We also believe the strategic partnerships with our anchor tenants will enable us to replicate our success in projects located in other target markets across China.

Experienced and stable management team equipped with an integrated project development and management system

We employ an integrated business management system to manage our project developments. Other than project construction and certain design work outsourced to external contractors, our professional teams carry out tasks which straddle a number of areas of expertise, including market research and analysis, project selection, project planning, materials procurement, construction work management, interior decoration, sales and marketing, property management, property leasing as well as customer service. We believe our integrated project development and management system has enabled us to become one of the leading commercial property developers in China possessing capabilities to develop and manage large-scale, high-quality commercial projects. We believe that by integrating capabilities and expertise in every stage of the property development process, we are able to have greater control over quality and costs and thereby increase operating efficiencies and enjoy enhanced economies of scale.

Members of our senior management team, including our Chairman, Hoi Kin Hong, our executive Directors, Hoi Wa Fong, Shih Sze Ni, Xiao Qing Ping and our deputy president, Au-Yeung Po Fung, have on average over 10 years of experience in the PRC real estate industry. They also have considerable strategic planning and business management expertise. Our Chairman, Hoi Kin Hong, is a recognized leader in large-scale commercial property development in China and highly reputed in the industry. He has received a number of accolades including Contributor to Real Estate Brands in China (中國房地產品牌貢獻人物) and Certificate of the Most Influential Entrepreneurs in China (中國最具影響力企業家), in recognition of his achievements as an entrepreneur and his contribution to the commercial real estate industry in China. Most of our executive Directors and senior management personnel have been working with us for an average of three years, and form a stable core team which has operated well together. We believe the stability of our management team, the extensive experience of its members in the

BUSINESS

commercial property industry and its in-depth understanding of the commercial property market in our target regions should enable us to continue to take advantage of future business opportunities and expand into new markets.

OUR BUSINESS STRATEGIES

Our principal business strategies are:

Continue to leverage upon our successful “Powerlong” business model in fast-growing cities across China

We intend to continue to adopt our “Powerlong” business model and develop large-scale, multi-functional complexes comprising quality residential properties, shopping centers, entertainment facilities and restaurants in cities with good growth potential across China. We believe that by focusing on these cities, we will be able to capitalize on the increased demand for quality commercial properties driven by heightened regional business activities. We believe that our “Powerlong” business model provides the residents of the cities in which our projects are located with a one-stop solution which meets their needs and enhances their lifestyles. We also believe that our “Powerlong” business model helps to enhance the overall value of our projects and allows us to command premium pricing as well as to enjoy increases in the fair value of our investment properties. Although rental income from investment properties for the six months ended June 30, 2009 only accounted for approximately 2.2% of our consolidated revenue, we intend to continue to increase our portfolio of investment properties with a view to leasing them out for recurring rental income. Through the ownership of investment properties, we wish to sustain a long-term exposure to the growing demand for commercial properties in China and to secure the potential long-term appreciation of our property portfolio value. As competition continues to intensify in the PRC real estate market, we believe our strategy of maintaining a well-diversified revenue base and risk profile will strengthen our competitiveness and support our continued business expansion.

Continue to design products that meet future city development plans and build up our land reserves in a prudent manner

We will continue to increase our land reserves and strategically select new locations for future project development in order to grow our business. We typically select our project development sites taking into consideration, among others, expected economic growth of the region, population and potential consumer demand in the area, local governments’ development and expansion plan for the area and the needs and preferences of our existing and potential long-term anchor tenants. We intend to capitalize on our successful operations to date as a leading commercial property developer, leverage upon our past experience in emerging, fast-growing cities and work closely with local governments to meet their future city development plans in order to acquire additional land in our target regions at attractive prices.

Continue to develop and strengthen long-term strategic relationships with domestic and international brands

We intend to continue to develop and strengthen our long-term strategic partnerships with domestic and international brands as our long-term anchor tenants for the commercial complexes we develop. We believe that such strategic partnerships with well-known brands will allow us to maintain the quality and value of our properties. We also believe that we will be able to introduce them to similar projects in other target markets and further enhance our

BUSINESS

“Powerlong” brand by having strong relationships with our long-term anchor tenants. Pursuant to our leasing arrangements with some of our anchor tenants, we and such tenants may engage in mutual co-operation arrangements, including information sharing and permissions to use each other’s company logo in marketing activities. We endeavor to expand our strategic partnerships with our partners, and, ultimately enhance the likelihood of our mutually beneficial success in other target markets across China. We believe our strategic partnerships with well-recognized brand names will help us to generate stable cash flows and raise the general attractiveness, profile, reputation and pedestrian traffic of our commercial property projects, which in turn will help to enhance their value and desirability.

Continue to enhance our brand name recognition

We believe that our brand names “Powerlong Real Estate” and “Powerlong City Plaza” have contributed to our past success and will underpin our success in the future. We will continue to focus on increasing the appeal of integrated commercial-residential complexes we develop and seek to distinguish ourselves from our competitors by offering projects with innovative planning and designs in strategically selected locations. We will also continue to maintain and enhance the quality and value of our commercial projects by securing high-profile and reputable anchor tenants. We believe that by continuing to offer well-designed property projects which meet the needs of the local residents and our customers, we will be able to elevate our brand recognition and reputation, which in turn will help us to replicate our success in other cities.

Continue to optimize tenant mix and increase recurring rental income

As our portfolio of investment properties grows, we will continue to optimize our tenant mix and diversify our tenant base in order to increase our recurring rental income and reduce our operating risks. We aim to take a flexible and proactive approach to our lease negotiations and seek out potential tenants who we think may add value to our commercial complexes. We also endeavor to encourage existing quality tenants, such as Carrefour and Gome Electronics, to expand their presence across our other commercial complexes by offering them attractive leasing terms and seeking their input in the design and construction of commercial complexes. We believe that by maintaining our existing anchor tenants and attracting potential quality tenants, we will be able to diversify our tenant base, achieve an optimal level of tenant mix for our commercial complexes and thereby enhance our rental income and property value. We aim to continue to grow our investment property portfolio in order to increase rental income as a proportion of our total revenue and maintain a balance between returns from our properties for sale and investment properties.

Standardize our project development and management model to achieve sustainable growth and operational expansion

We intend to further expand our property development geographically to capitalize on the business opportunities available to us in fast-growing, emerging cities across China. In order to expand our operations efficiently and effectively into our target cities, we plan to develop and adopt a standard development model for our property projects so we can enlarge our development scale more rapidly and on a competitive cost basis. We plan to further standardize the process and flow of our property project development from site and city selection, project planning and design, project construction to sales and marketing by establishing certain operational criteria and guidelines that may be followed consistently across projects with modifications tailored to suit local needs. We also plan to establish a periodic integrated project

BUSINESS

development plan to better coordinate the various stages of a property development project. We believe that having a standardized project development model will enable us to enhance our management efficiency, reduce operating costs and expenses and improve our risk control.

OUR PROPERTY PROJECTS

As of the Latest Practicable Date, we had a total of 17 property projects in 14 cities in China. Please see the map below for the locations of our completed properties, properties under development and properties held for future development.



Currently, we have a total of 17 property projects in the following categories in accordance with our classification system:

- completed properties, comprising property projects that we have completed since our inception, with the certificates of completion issued by the relevant government authorities;
- properties under development, comprising property projects with land use rights certificates issued by the relevant government authorities and the construction thereof commenced but for which the certificates of completion have not been obtained; and

BUSINESS

- properties held for future development, comprising property projects with respect to which we have signed the relevant land grant contracts with the relevant PRC authorities but for which we have not been issued the land use rights certificates pending payment of land premium and/or satisfaction of other conditions contained in the land grant contracts.

Property Classification. Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project may require multiple land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and other permits and certificates which are issued at different stages throughout the development process. Our classification of properties is not directly comparable with the classification of properties in the Property Valuation Report contained in Appendix IV to this document and the Accountants’ Report contained in Appendix I to this document. These classifications, however, share similarities in the treatment of properties that have been issued land use rights certificates. While we categorize properties with land use rights certificates in our properties under development, the Property Valuation Report contained in Appendix IV assigns a market value to such properties and the Accountants’ Report contained in Appendix I includes them in our balance sheet as our assets under land use rights.

The table below sets forth our classification of properties, and the corresponding classification of properties in the Property Valuation Report and the Accountants’ Report:

<u>This document</u>	<u>Property Valuation Report</u>	<u>Accountants’ Report</u>
• Completed properties, comprising properties with certificates of completion (including completed properties that have been sold)	• Group I — Property interests held for investment (excluding completed properties that have been sold), comprising properties for which we have obtained the certificates of completion and are held for investment purposes	• Completed properties held for sale (excluding completed properties that have been sold) • Land use rights (attributable to completed properties held for sale) • Investment properties
• Properties under development, comprising properties for which we have obtained the land use rights certificates but not yet the certificates of completion	• Group II — Property interests held under development, comprising properties for which we have obtained the land use rights certificates and the construction permits	• Properties under development • Investment properties under construction • Land use rights

BUSINESS

This document	Property Valuation Report	Accountants' Report
Property held for future development, comprising properties for which we have not obtained the land use rights certificates, but have entered into the land grant contracts or the project company equity transfer agreements	Group III — Property interests held for future development, comprising properties for which we have obtained the land use rights certificates but not yet the construction permits	Expenditure incurred for projects for which we have not yet obtained the land use rights certificates and which was recorded as prepayments, deposits and other receivables within our current assets

Site Area Calculation. The site area information in this document is derived on the following basis:

- when we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in such land use rights certificates; and
- before we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in the relevant land grant contracts or the relevant government permits related to the projects excluding, however, the areas earmarked for public infrastructure such as roads and community recreation zones.

GFA Calculation. The GFA information in this document is derived on the following basis:

- if we have obtained the property ownership certificates for the projects, the saleable GFA information refers to the saleable GFA in the property ownership certificates;
- if we have not yet obtained the property ownership certificates but have obtained the construction permits, the total GFA information in respect of these projects refers to the total GFA in such construction permits;
- if we have not yet obtained the construction permits but have obtained the construction works planning permits for the projects, the total GFA information in respect of these projects refers to the total GFA in such construction works planning permits;
- if we have not yet obtained the construction works planning permits, but have received the land use rights certificates for the projects, the total GFA information in respect of these projects refers to the total GFA in such land use rights certificates; and
- if we have not obtained the land use rights certificates, but have signed the land grant contracts, the total GFA information in respect of these projects refers to the total GFA in such land grant contracts.

BUSINESS

Total GFA stated in the property ownership certificates, construction permits and construction works planning permits includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes.

GFA held for sale and GFA held for lease information in this document include GFA of car parking spaces unless otherwise specified. GFA sold information refers to the GFA in the relevant sale and purchase agreements on an aggregate basis.

GFA held for sale and GFA held for lease information are based on our Company and the Directors' current plan and intention and may therefore be subject to adjustment.

BUSINESS

The geographical distribution of our property projects as of June 30, 2009 was as follows:

Projects	Completed property development				Properties under development				Properties held for future development					
	Total GFA for entire project ('000 sq.m.)	Total GFA ('000 sq.m.)	% of total GFA (%)	Total GFA attr. to us ('000 sq.m.)	% of total GFA attr. to us (%)	Total GFA ('000 sq.m.)	% of total GFA (%)	Total GFA attr. to us ('000 sq.m.)	% of total GFA attr. to us (%)	Total GFA ('000 sq.m.)	% of total GFA (%)	Total GFA attr. to us ('000 sq.m.)	% of total GFA attr. to us (%)	
Fujian Province														
Quanzhou Jinjiang Powerlong Golden Jayuan (泉州晉江寶龍金色家園)	37.5	143.5	21.7	143.5	100	—	—	—	—	—	—	—	—	
Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)	36.0	54.2	8.2	54.2	100	—	—	—	—	—	—	—	—	
Fuzhou Powerlong City Plaza (福州寶龍城市廣場)	72.9	215.4	32.6	215.4	100	—	—	—	—	—	—	—	—	
Jiangsu Province														
Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場)	130.8	267.7	—	—	—	267.7	8.1	267.7	100	—	—	—	—	
Wuxi Powerlong City Plaza (無錫寶龍城市廣場)	77.0	284.2	—	—	—	284.2	8.6	227.4	80	—	—	—	—	
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	212.5	391.0	—	—	—	391.0	11.8	391.0	100	—	—	—	—	
Suqian Project (宿遷項目)	220.2	517.9	—	—	—	—	—	—	—	517.9	13.3	517.9	100	
Yancheng Project (鹽城項目)	221.2	488.0	—	—	—	—	—	—	—	488.0	12.5	488.0	100	
Changzhou Project (常州項目)	270.1	780.7	—	—	—	—	—	—	—	780.7	20.0	780.7	100	
Shandong Province														
Qingdao Powerlong City Plaza (青島寶龍城市廣場)	319.8	705.5	—	—	—	705.5	21.3	705.5	100	—	—	—	—	
Tai'an Powerlong City Plaza (泰安寶龍城市廣場)	237.5	301.9	—	—	—	301.9	9.1	301.9	100	—	—	—	—	
Yantai Project (煙台項目)	668.2	950.5	—	—	—	—	—	—	—	950.5	24.4	950.5	100	
Licang Project (李滄項目)	107.2	363.7	—	—	—	—	—	—	—	363.7	9.3	363.7	100	
Henan Province														
Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)	114.0	247.2	247.2	37.4	247.2	100	—	—	—	—	—	—	—	
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	355.6	875.0	—	—	—	875.0	26.4	875.0	100	—	—	—	—	
Xinxiang Project (新鄉項目)	300.0	800.0	—	—	—	—	—	—	—	800.0	20.5	800.0	100	
Anhui Province														
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)	192.3	491.2	—	—	—	491.2	14.8	491.2	100	—	—	—	—	
Total	3,572.8	7,877.6	660.3	660.3	660.3	3,316.6	3,259.7	3,900.7	3,900.7	3,900.7	3,900.7	3,900.7	3,900.7	

BUSINESS

The table below sets forth the total GFA held for lease and other relevant information in our 15 projects as of June 30, 2009:

Projects	GFA held for lease					Proportion of total GFA ⁽¹⁾	GFA leased out ⁽²⁾
	Completed properties ('000 sq.m.)	Properties under development ('000 sq.m.)	Properties held for future development ('000 sq.m.)	Total ('000 sq.m.)	(%)		
Fujian Province							
Fuzhou Powerlong City Plaza (福州寶龍城市廣場)	120.0	—	—	120.0 ⁽³⁾	55.7	90.8	
Jiangsu Province							
Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場)	—	—	—	—	—	—	
Wuxi Powerlong City Plaza (無錫寶龍城市廣場)	—	160.1	—	160.1	56.3	—	
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	—	20.5	—	20.5	5.2	—	
Suqian Project (宿遷項目)	—	—	136.1	136.1	26.3	—	
Yancheng Project (鹽城項目)	—	—	152.9	152.9	31.3	—	
Changzhou Project (常州項目)	—	—	117.0	117.0	15.0	—	
Shandong Province							
Qingdao Powerlong City Plaza (青島寶龍城市廣場)	—	312.7 ⁽⁴⁾	—	312.7	44.3	78.4	
Tai'an Powerlong City Plaza (泰安寶龍城市廣場)	—	68.7 ⁽⁴⁾	—	68.7	22.7	—	
Yantai Project (煙台項目)	—	—	20.5	20.5	2.2	—	
Licang Project (李滄項目)	—	—	159.1	159.1	43.8	—	
Henan Province							
Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)	118.8	—	—	118.8	48.0	43.5	
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	—	201.4	—	201.4	23.0	—	
Xinxiang Project (新鄉項目)	—	—	160.0	160.0	20.0	—	
Anhui Province							
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)	—	259.0 ⁽⁵⁾	—	259.0	52.7	50.5	
Total	<u>238.8</u>	<u>1,022.4</u>	<u>745.6</u>	<u>2,006.7</u>		<u>263.3</u>	

Notes:

- (1) Represents GFA for lease as a proportion of total GFA for the entire project.
- (2) Represents GFA of tenanted portion.
- (3) Including car parking spaces with a total GFA of 25,170 square meters which we maintain as ancillary facilities for the use by our customers and tenants in Fuzhou Powerlong City Plaza.
- (4) Excluding GFA attributable to hotels.
- (5) Including completed construction of 21,828 square meters of GFA, with respect to which we are currently applying for the certificate of completion.

BUSINESS

Completed Properties

As of June 30, 2009, we had completed the development of the following property projects. With respect to the following table, you should note that completed properties that are fully sold are not covered in the Property Valuation Report contained in Appendix IV to this document.

Project	Type	Construction commencement date	Completion date	Site area (sq.m.)	Total GFA (sq.m.)	GFA held for sale (sq.m.)	Percentage sold (%)	GFA held for lease (sq.m.)	Occupancy rate as of June 30, 2009 ⁽¹⁾ (%)	Interest attributable to us (%)	Ref. to Property Valuation Report
Fujian Province											
Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	Residential	Aug 2003	Apr 2005	37,478	143,544	143,544	100	—	—	100	—
Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)	Residential	Jul 2004	Mar 2005	35,952	54,210	54,210	100	—	—	100	—
Fuzhou Powerlong City Plaza (福州寶龍城市廣場)	Residential and Commercial	Nov 2004	Nov 2006 ⁽²⁾	72,874	215,353	95,348	99.6	120,005 ⁽³⁾	95.8	100	1
Henan Province											
Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)	Residential and Commercial	Jul 2006	Dec 2008	113,984	247,195	128,440	49.6	118,755 ⁽⁴⁾	49.3	100	7
Total				<u>260,288</u>	<u>660,302</u>	<u>421,542</u>		<u>238,760</u>			

We are currently applying for the certificate of completion in respect of Zhengzhou Powerlong City Plaza and expect to obtain such certificate of completion in the fourth quarter of 2009.

As of the end of June 30, 2009, the book value of our unsold completed properties held for sale was approximately Rmb 366.0 million. We currently have no intention to reclassify our completed properties held for sale as investment properties as we expect to sell such properties in the second half of this year.

Notes:

- (1) Excluding car parking spaces, and represents the portion of total GFA subject to lease agreements.
- (2) Denotes the earliest completion time for that project. The whole project was completed in different stages between 2006 and 2008.
- (3) Including car parking spaces with a total GFA of 25,170 square meters which we maintain as ancillary facilities for the use by our customers and tenants in Fuzhou Powerlong City Plaza.
- (4) Including car parking spaces with a total GFA of 30,395 square meters.

BUSINESS

Properties Under Development

As of June 30, 2009, we had property projects with a total GFA of 3,316,611 square meters under development.

Project	Type	Site area (sq.m.)	Total GFA or estimated total GFA		GFA held for sale (sq.m.)	GFA under pre-sale permit (sq.m.)	GFA pre-sold (sq.m.)	GFA held for lease (sq.m.)	Hotel GFA (sq.m.)	Construction commence- ment time	Pre-sale commence- ment time	Estimated completion time for entire project	Interests attributable to us (%)	Ref. to Property Valuation Report
			(sq.m.)	(sq.m.)										
Jiangsu Province														
Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場) . . .	Residential and Commercial	130,751	267,745 ⁽¹⁾	213,994	145,771	134,633	—	53,752	—	July 2005	Sep 2005	Dec 2011	100	2, 10
Wuxi Powerlong City Plaza (無錫寶龍城市廣場)	Residential and Commercial	77,020	284,187 ⁽²⁾	124,075	233,523	25,244	160,111 ⁽³⁾	—	—	May 2007	Sep 2007	Dec 2010	80 ⁽⁴⁾	3
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城) . . .	Residential and Commercial	212,459	391,033	370,529	108,943	66,189	20,503 ⁽⁵⁾	—	—	Oct 2007	May 2008	Aug 2012	100	9, 12
Shandong Province														
Qingdao Powerlong City Plaza (青島寶龍城市廣場)	Residential and Commercial	319,808	705,526 ⁽⁶⁾	353,131	372,305	221,910	312,683 ⁽⁷⁾	39,711	—	Apr 2007	Aug 2007	May 2010	100	8
Tai'an Powerlong City Plaza (泰安寶龍城市廣場)	Residential and Commercial	237,515	301,945 ⁽⁸⁾	183,574	224,808	117,009	68,687 ⁽⁹⁾	49,683	—	Nov 2006	Dec 2006	May 2010	100	4
Henan Province														
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	Residential and Commercial	355,607	874,968	673,597	426,286	142,583	201,371 ⁽¹⁰⁾	—	—	Nov 2006	Dec 2006	Dec 2012	100	5, 11
Anhui Province														
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)	Residential and Commercial	192,313	491,209 ⁽¹¹⁾	232,249	406,037	168,016	258,960 ⁽¹²⁾	—	—	Sep 2006	Nov 2006	Feb 2010	100	6
Total		1,525,474	3,316,611	2,151,149	1,917,673	875,584	1,022,315	143,146						

BUSINESS

Notes:

- (1) We had completed construction of 159,770 square meters of GFA as of June 30, 2009, with respect to which we are currently applying for the certificate of completion.
- (2) We had completed construction of 10,339 square meters of GFA as of June 30, 2009, with respect to which we are currently applying for the certificate of completion.
- (3) Including car parking spaces with a total GFA of approximately 50,055 square meters.
- (4) The remaining 20% equity interest is held by Macau Jurong.
- (5) Including car parking spaces with a total GFA of approximately 12,416 square meters.
- (6) We had completed construction of 103,088 square meters of GFA as of June 30, 2009, with respect to which we are currently applying for the certificate of completion.
- (7) Including car parking spaces with a total GFA of approximately 107,756 square meters.
- (8) We had completed construction of 69,935 square meters of GFA as of June 30, 2009, with respect to which we are currently applying for the certificate of completion.
- (9) Including car parking spaces with a total GFA of approximately 12,357 square meters.
- (10) Including car parking spaces with a total GFA of approximately 61,730 square meters.
- (11) We had completed construction of 195,543 square meters of GFA as of June 30, 2009, with respect to which we are currently applying for the certificate of completion.
- (12) Including car parking spaces with a total GFA of approximately 75,411 square meters.

We intend to hold a portion of the properties under development as investment properties upon completion.

BUSINESS

Properties Held for Future Development

For all of our projects held for future development, we have entered into the land grant contracts. We had not, however, received all of the land use rights certificates, construction land planning permits, construction works planning permits and construction permits as of the Latest Practicable Date. You may refer to each referenced project in the Property Valuation Report contained in Appendix IV to this document for more detailed disclosure on the specific approvals and certificates obtained, or the lack thereof, for such project. These projects planned or scheduled for future development had an aggregate site area of 1,786,885 square meters as of June 30, 2009.

We set forth in the table below further information about these properties held for future development as of June 30, 2009. The total GFAs with respect to each project or project phase included in our properties held for future development are estimates by our management on the basis of our current development plans formulated pursuant to the land grant contracts.

Project/plot	Carrying value (Rmb in millions)	Land premium to be paid under land grant contracts (Rmb in millions)	Site area (sq.m.)	Total GFA (sq.m.)	Interest attributable to us (%)	Ref. to Property Valuation Report
Jiangsu Province						
Suqian Project (宿遷項目)	184.6	209.5	220,201	517,878	100	14
Yancheng Project (鹽城項目)	188.6	256.6	221,184	488,006	100	16
Changzhou Project (常州項目)	73.5	149.3	270,120	780,700	100	17
Shandong Province						
Yantai Project (煙台項目)	135.0	45.4	668,249	950,472	100	13
Licang Project (李滄項目)	344.3	110.6	107,150	363,664	100	18
Henan Province						
Xinxiang Project (新鄉項目)	140.8	133.0	299,980	800,000	100	15
Total	<u>1,066.8</u>	<u>904.4</u>	<u>1,786,885</u>	<u>3,900,720</u>		

Carrying value in the table above represents costs incurred for the properties held for future development, comprising primarily land costs together with some preliminary planning expenses.

Land premium to be paid under land grant contracts represents outstanding consideration for the grant of land use rights according to the relevant land grant contract.

BUSINESS

The table below sets forth our estimated GFA to be completed in 2009 and estimated as of the Latest Practicable Date.

Project	Location	Site area (’000 sq.m.)	Total GFA (’000 sq.m.)	Interest attributable to us (%)	Estimated GFA to be completed in 2009			Estimated completion time for entire project
					Total GFA (sq.m.)	GFA held for sale (sq.m.)	GFA held for lease (sq.m.)	
Jiangsu Province								
Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場).....	Suzhou City	130.8	267.7	100	63,900	10,148	—	53,752 ⁽¹⁾ Dec 2011
Wuxi Powerlong City Plaza (無錫寶龍城市廣場).....	Wuxi City	77.0	284.2	80	—	—	—	Dec 2010
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城).....	Wuxi City	212.5	391.0	100	128,105	107,602	20,503	Aug 2012
Shandong Province								
Qingdao Powerlong City Plaza (青島寶龍城市廣場).....	Qingdao City	319.8	705.5	100	329,165	130,222	198,943 ⁽²⁾	May 2010
Tai'an Powerlong City Plaza (泰安寶龍城市廣場).....	Tai'an City	237.5	301.9	100	182,327	113,639	68,688	May 2010
Henan Province								
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場).....	Luoyang City	355.6	875.0	100	372,263	279,478	92,785 ⁽³⁾	Dec 2012
Anhui Province								
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場).....	Bengbu City	192.3	491.2	100	152,435	29,702	122,733 ⁽⁴⁾	Feb 2010
Total.....		1,525.5	3,316.6		1,228,195	670,791	503,652	53,752

BUSINESS

Notes:

- (1) Including car parking spaces with a total GFA of approximately 7,308 square meters.
- (2) Including car parking spaces with a total GFA of approximately 71,837 square meters.
- (3) Including car parking spaces with a total GFA of approximately 29,585 square meters.
- (4) Including car parking spaces with a total GFA of approximately 37,706 square meters.

PROJECT DESCRIPTION — FUJIAN PROVINCE

Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)

Quanzhou Jinjiang Powerlong Golden Jiayuan is located in Jinjiang City, Fujian Province. This project was developed by Jinjiang Changyuan, a project company wholly owned by us.



This project occupies a total site area of 37,478 square meters with a total GFA of 143,544 square meters. This project consists of 378 apartment units and 698 hotel style apartment suites with a total GFA of 100,690 square meters, 250 retail shops with a total GFA of 29,600 square meters and car parking spaces with a total GFA of 13,254 square meters. We entered into the land grant contracts with respect to the parcels of land in November 2002 and June 2003. As of June 30, 2009, we had paid Rmb 15.0 million of land premium (including taxes). This represented the total land premium for this project.

We completed the development of this project in April 2005 and have sold all the properties in this project. The total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Quanzhou Jinjiang Powerlong Golden Jiayuan were Rmb 275.5 million, or Rmb 1,919 per square meter. Our accumulated sales revenue for this project was Rmb 389.1 million, with an average selling price at Rmb 2,915 per square meter.

BUSINESS

Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)

Quanzhou Anhai Powerlong Haoyuan is located at Feng Huan Shan District, Anhai Town, Quanzhou City, Fujian Province. This project was developed by Quanzhou Baohua, a project company wholly owned by us.



This project occupies a total site area of 35,952 square meters with a total GFA of 54,210 square meters. This project consists of apartment units with a total GFA of 35,847 square meters, retail shops with a total GFA of 16,651 square meters and car parking spaces with a total GFA of 1,713 square meters. We entered into the land grant contract with respect to the parcel of land in March 2004. As of June 30, 2009, we had paid Rmb 20.8 million of land premium (including taxes). This represented the total land premium for this project.

We completed the development of this project in March 2005 and have sold all the properties in this project. The total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Quanzhou Anhai Powerlong Haoyuan were Rmb 94.8 million, or Rmb 1,749 per square meter. Our accumulated sales revenue for this project was Rmb 137.3 million, with an average selling price at Rmb 2,533 per square meter.

BUSINESS

Fuzhou Powerlong City Plaza (福州寶龍城市廣場)

Fuzhou Powerlong City Plaza is located in the Taijiang District, Fuzhou City, Fujian Province. It is in the vicinity of the Fuzhou Jiangbin tourism area. This project was developed by Fuzhou Powerlong, a project company wholly owned by us.



This project occupies a total site area of 72,874 square meters with a total GFA of 215,353 square meters. Of the total GFA, approximately 95,348 square meters are held for sale and approximately 94,835 square meters are held for lease. There are also car parking spaces with a total GFA of 25,170 square meters which we maintain as ancillary facilities for the use of our customers and tenants.

Fuzhou Powerlong City Plaza consists of a large-scale multi-functional commercial complex with a total GFA of 141,740 square meters, night club and disco with a total GFA of 15,169 square meters, hotel style apartment suites with a total GFA of 33,274 square meters and car parking spaces with a total GFA of 25,170 square meters. The commercial complex houses primarily a large department store, a supermarket, an indoor amusement center, a cinema, a food court and retail shops. Major tenants of the commercial complex include Carrefour, Fujian Xinhudu Department Stores (福建新華都百貨) and Gome Electronics (國美電器). Total GFA leased to our major tenants was 56,608 square meters as of June 30, 2009. Sales of properties in Fuzhou Powerlong City Plaza commenced in February 2005. In December 2008, Fujian Minghai Industry Limited (福建明海工貿股份有限公司) purchased a total GFA of 9,932 square meters in Fuzhou Powerlong City Plaza and leased it to Fuzhou Bailida Entertainment Company Limited (福州百利達娛樂有限公司) (“Bailida”) for Bailida’s entertainment business operations. As of June 30, 2009, we had sold and delivered 94,949 square meters of GFA in this project. As of the same date, we had a total GFA of 94,835 square meters held for lease, of which a GFA of 90,840 square meters, or 95.8%, had been tenanted (excluding car parking spaces).

We commenced development of this project in November 2004 and completed it in different stages between November 2006 and 2008. We entered into the land grant contracts with respect to the parcels of land in September 2003, December 2003 and December 2005, and we had paid the total land premium of Rmb 119.4 million (including taxes) as of June 30, 2009, in

BUSINESS

addition to the offsetting of Rmb 53.8 million of land premium by a local government award. We have made a provision for land premium payable in respect of the amount of land premium that had been offset.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Fuzhou Powerlong City Plaza were Rmb 758.2 million, and our accumulated sales revenue during the Track Record Period for this project was Rmb 1,008.5 million.

PROJECT DESCRIPTION — JIANGSU PROVINCE

Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場)

Suzhou Taicang Powerlong City Plaza is located in Taicang, Suzhou City, Jiangsu Province. This project is being developed by Suzhou Powerlong, a project company wholly owned by us.

This project consists of two phases and has a total site area of 130,751 square meters with a total GFA of 267,745 square meters. We had obtained all the land use rights certificates with respect to Phase I and Phase II and had paid land premium totaling Rmb 98.3 million (including taxes) as of June 30, 2009. This represented the total land premium for this project.

Phase I occupies a total site area of 118,117 square meters with a total GFA of 213,522 square meters. Of the total GFA, 159,770 square meters are held for sale and 53,752 square meters are held for hotel development. We entered into the land grant contract with respect to Phase I in May 2004. This phase consists of a high-quality hotel with a total GFA of 53,752 square meters (“Suzhou Taicang Hotel”), apartment units with a total GFA of 101,175 square meters, retail shops, restaurants and entertainment facilities with a total GFA of 43,624 square meters and car parking spaces with a total GFA of 14,971 square meters. Construction of Phase I commenced in July 2005. As of June 30, 2009, we had completed construction of a total GFA of 159,770 square meters. We expect to complete the rest of Phase I in December 2009. As of June 30, 2009, we had obtained pre-sale permits with respect to 145,771 square meters of GFA in Phase I and had pre-sold 134,633 square meters of GFA in Phase I.

Phase II of Suzhou Taicang Powerlong City Plaza occupies a total site area of 12,634 square meters, with an estimated total GFA of 54,223 square meters. All of the estimated total GFA are expected to be held for sale. We entered into the land grant contract with respect to Phase II in July 2007. We expect to commence development of Phase II in May 2010 and to complete it by December 2011.

We expect to complete approximately 63,900 square meters of GFA by the end of 2009 in respect of Suzhou Taicang Powerlong City Plaza.

For the completed properties in this project, our total development costs amounted to Rmb 2,859 per square meter as of June 30, 2009. Our accumulated sales revenue during the Track Record Period for this project was Rmb 467.2 million as of June 30, 2009, with an average selling price at Rmb 3,613 per square meter. As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Suzhou Taicang Powerlong City Plaza (both Phases I and II) were Rmb 396.7 million. We

BUSINESS

estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 318.2 million to complete this project. We intend to finance such capital expenditures with funds generated from proceeds derived from the pre-sale of properties in this project.

Wuxi Powerlong City Plaza (無錫寶龍城市廣場)

Wuxi Powerlong City Plaza is located in the central business district of Wuxi New District in Wuxi City, Jiangsu Province. This project is being developed by Wuxi Powerlong, a project company in which we hold a 80% equity interest. The remaining 20% equity interest is held by Macau Jurong, the details of which are disclosed in the section entitled "Definitions" in this document. Each shareholder is entitled to shareholder rights and dividend return in proportion to their respective investment ratio.

This project consists of two phases and has a total site area of 77,020 square meters with a total GFA of 284,187 square meters.

We entered into the land grant contract with respect to Wuxi Powerlong City Plaza in August 2006. As of June 30, 2009, we had obtained all the land use rights certificates and had paid land premium totaling Rmb 112.9 million (including taxes). This represented the total land premium for this project.

Phase I occupies a total site area of 5,060 square meters with a total GFA of 10,339 square meters. Phase I consists of hotel style apartment suites with a total GFA of 8,871 square meters and retail shops with a total GFA of 1,468 square meters. Construction of Phase I commenced in May 2007 and we completed it in July 2008. As of June 30, 2009, we had obtained pre-sale permits with respect to 10,339 square meters of GFA in Phase I and had pre-sold 10,119 square meters of GFA in Phase I.

Phase II occupies a total site area of 71,960 square meters, with an estimated total GFA of 273,848 square meters. We expect Phase II to consist of residential suites with a total GFA of 74,035 square meters, a large-scale commercial complex with a total GFA of 149,758 square meters and car parking spaces with a total GFA of 50,055 square meters. The commercial complex houses a large supermarket, a large department store, a multi-theater cinema, a large food court, a computer gaming center and a sports themed shopping mall. We commenced construction of Phase II in June 2008 and expect to complete it by December 2010. As of June 30, 2009, we had obtained pre-sale permits with respect to 223,184 square meters of GFA in Phase II and had pre-sold 15,125 square meters of GFA in Phase II.

We entered into a lease agreement with Carrefour in July 2008. According to the agreement, Carrefour agreed to lease a total GFA of 19,254 square meters in Wuxi Powerlong City Plaza for 20 years starting from March 2010. The rent for the leased area shall be equivalent to the higher of 3% of the annual net sales of Carrefour or Rmb 7.0 million per annum.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Wuxi Powerlong City Plaza were Rmb 413.9 million. We estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 405.9 million to complete this project. We intend to finance such capital expenditures with proceeds derived from the pre-sale of properties in this project as well as bank borrowings.

BUSINESS

Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)

Wuxi Yuqi Powerlong Riverside Garden is located in Yuqi Town, Huishan District, Wuxi City, Jiangsu Province. This project is a major development project in the Yuqi Tangping Lake area and is being developed by Wuxi Yuqi, a project company wholly owned by us.

This project consists of two phases and has a total site area of 212,459 square meters with a total GFA of 391,033 square meters. Of the total GFA, 370,529 square meters are expected to be held for sale and 20,503 square meters are expected to be held for lease.

Phase I occupies a total site area of 64,810 square meters with a total GFA of 128,105 square meters. We entered into the land grant contract of the land for Phase I in November 2006. As of June 30, 2009, we had obtained all the land use rights certificates and had paid land premium totaling Rmb 47.5 million (including taxes). This represented the total land premium for Phase I of this project.

Phase I consists of apartments and villas with a total GFA of 53,633 square meters, an office building with a total GFA of 26,458 square meters, a shopping mall with a total GFA of 28,475 square meters and car parking spaces with a total GFA of 19,539 square meters. Construction of Phase I commenced in October 2007 and we expect to complete it in September 2009. As of June 30, 2009, we had obtained pre-sale permits with respect to 108,943 square meters of GFA in Phase I and had pre-sold 66,189 square meters of GFA in Phase I.

Phase II of Wuxi Yuqi Powerlong Riverside Garden occupies a total site area of 147,649 square meters, with a total GFA of 262,928 square meters. We entered into the land grant contract for Phase II in November 2006. As of June 30, 2009, we had obtained all the land use rights certificates and had paid land premium totaling Rmb 101.4 million (including taxes). This represented the total land premium for Phase II of this project. Phase II consists of apartment units with a total GFA of 232,105 square meters, retail shops with a total GFA of 6,211 square meters and car parking spaces with a total GFA of 24,612 square meters. We expect to commence the construction of Phase II in August 2010 and to complete it by August 2012.

We expect to complete approximately 128,105 square meters of GFA by the end of 2009 in respect of Wuxi Yuqi Powerlong Riverside Garden, of which approximately 8,087 square meters of commercial GFA is expected to be held for investment.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Wuxi Yuqi Powerlong Riverside Garden were Rmb 363.1 million. We estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 469.5 million to complete this project. We intend to finance such capital expenditures with proceeds derived from the pre-sale of properties in this project as well as bank borrowings.

Suqian Project (宿遷項目)

In December 2007, we entered into a land grant contract with respect to two parcels of land in Suqian City, Jiangsu Province. The two parcels of land have a total site area of 220,201 square meters with an expected GFA of 517,878 square meters. The total acquisition costs of the land are expected to be approximately Rmb 388.4 million to be paid in four installments. We are funding the acquisition costs with a portion of the net proceeds from the issue of our Convertible Bonds and Secured Notes, as well as our internally generated fund. As of June 30,

BUSINESS

2009, the total costs incurred in relation to the acquisition of the two parcels of land were approximately Rmb 184.5 million (including taxes). As of June 30, 2009, we had obtained the relevant land use rights certificate for a site area of 79,983 square meters for this project. We expect to fully settle the outstanding land premium by June 2011 and obtain the relevant land use rights certificates with respect to the remaining site area by July 2011. We intend to commence construction of the Suqian Project in October 2009 and expect to complete it by July 2012.

Yancheng Project (鹽城項目)

In June 2008, we entered into a land grant contract with respect to a parcel of land in Yancheng City, Jiangsu Province. The parcel of land has a total site area of 221,184 square meters with an expected GFA of 488,006 square meters. The total acquisition costs of the land are expected to be approximately Rmb 437.9 million to be paid in three installments. As of June 30, 2009, the total costs incurred in relation to the acquisition of the parcel of land were approximately Rmb 188.6 million (including taxes). As of June 30, 2009, we had obtained the land use rights certificate for a site area of 86,665 square meters for this project. We expect to fully settle the outstanding land premium by December 2009 and obtain the relevant land use rights certificates with respect to the remaining site area by January 2010. We intend to commence construction of Yancheng Project in October 2009 and expect to complete it by April 2012.

Changzhou Project (常州項目)

In June 2008, we entered into a land grant contract with respect to a parcel of land in Changzhou City, Jiangsu Province. The parcel of land has a total site area of 270,120 square meters with an expected GFA of 780,700 square meters. The total acquisition costs of the land are expected to be approximately Rmb 222.9 million, including the relocation and resettlement costs of Rmb 179.4 million that we pay to the local government authority for the relocation and resettlement of residents which they are responsible for undertaking. We are funding the acquisition costs with a portion of the net proceeds from the issue of our Convertible Bonds and Secured Notes, as well as our internally generated fund. As of June 30, 2009, the total costs incurred in relation to the acquisition of the land parcel were approximately Rmb 73.5 million, including land premium of Rmb 43.5 million, which represented the total land premium for this project. We plan to make further payments of relocation and resettlement costs in accordance with the government's relocation and resettlement progress. We expect to fully settle the remaining relocation and resettlement costs by December 2010 and obtain the relevant land use rights certificates with respect to the remaining site area by January 2011. In July 2009, we obtained the land use rights certificates for a site area of 170,245 square meters. We intend to commence construction of Changzhou Project in December 2009 and expect to complete it by December 2013.

PROJECT DESCRIPTION — SHANDONG PROVINCE

Qingdao Powerlong City Plaza (青島寶龍城市廣場)

Qingdao Powerlong City Plaza is located in Chengyang central business district, Qingdao City, Shandong Province. This project is being developed by Qingdao Powerlong, a project company wholly owned by us.

BUSINESS

This project consists of two phases and has a total site area of 319,808 square meters with a total GFA of 705,526 square meters. Of the total GFA, 353,131 square meters are expected to be held for sale and 352,395 square meters are expected to be held for lease and development into a hotel.

Phase I of Qingdao Powerlong City Plaza occupies a total site area of 274,316 square meters with a total GFA of 638,381 square meters. We entered into the land grant contract with respect to Phase I in July 2006. We had obtained all the land use rights certificates with respect to Phase I and had paid land premium totaling Rmb 328.2 million (including taxes). This represented the total land premium for Phase I.

The residential portion of Phase I consists of apartment units with a total GFA of 124,825 square meters, retail shops with a total GFA of 27,774 square meters and car parking spaces with a total GFA of 39,690 square meters. The commercial portion of Phase I consists of a commercial complex with a total GFA of 298,625 square meters, a high-quality hotel with a total GFA of 39,711 square meters ("Qingdao Hotel") and car parking spaces with a total GFA of 107,756 square meters. The commercial complex houses a large indoor amusement park, a department store, a large supermarket, a cinema, a food court and other entertainment facilities. Major tenants of the commercial complex include KFC and Qingdao Outlets. We intend to engage a domestically or internationally recognized management company experienced in the management and operation of entertainment facilities to manage and operate such indoor amusement park. Construction of Phase I commenced in April 2007. As of June 30, 2009, we had completed construction of a total GFA of 103,088 square meters and had obtained pre-sale permits with respect to 322,537 square meters of GFA in Phase I and had pre-sold 173,618 square meters of GFA in Phase I. In March 2009, Qingdao Lotte purchased a total GFA of 33,427 square meters in Qingdao Powerlong City Plaza for its supermarket operations.

We expect to complete approximately 329,165 square meters of GFA by the end of 2009 in respect of Qingdao Powerlong City Plaza, of which approximately 127,106 square meters of commercial GFA is expected to be held for investment.

Phase II of Qingdao Powerlong City Plaza occupies a total site area of 45,492 square meters, with a total GFA of 67,145 square meters including retail shops with a total GFA of 2,996 square meters and apartment units with a total GFA of 64,149 square meters. We entered into the land grant contract with respect to Phase II in July 2006. We had obtained all the land use rights certificates with respect to Phase II and had paid land premium totaling Rmb 70.3 million (including taxes) as of June 30, 2009. This represented the total land premium for this project. Construction of Phase II commenced in April 2007 and we expect to complete it by May 2010. As of June 30, 2009, we had obtained pre-sale permits with respect to 49,769 square meters of GFA in Phase II and pre-sold 48,292 square meters of GFA in Phase II.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Qingdao Powerlong City Plaza were Rmb 1,491.2 million. We estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 394.0 million to complete this project. We intend to finance such capital expenditures with proceeds derived from the pre-sale of properties in this project as well as bank borrowings.

BUSINESS

Tai'an Powerlong City Plaza (泰安寶龍城市廣場)

Tai'an Powerlong City Plaza is located in Tai'an City, Shandong Province. This project is being developed by Shandong Powerlong, a project company wholly owned by us.

This project consists of two phases and has a total site area of 237,515 square meters with a total GFA of 301,945 square meters. Of the total GFA, 183,574 square meters are expected to be held for sale and 118,371 square meters are expected to be held for lease and development of the Tai'an Hotel.

We entered into the land grant contracts with respect to the parcels of land in Tai'an Powerlong City Plaza in March and July 2006. As of June 30, 2009, we had obtained all the land use rights certificates with respect to Phase I and Phase II and had paid land premium totaling Rmb 222.9 million (including taxes). This represented the total land premium for this project.

Phase I occupies a total site area of 70,586 square meters with a total GFA of 69,935 square meters. It consists of retail shops with a total GFA of 7,595 square meters, apartment units with a total GFA of 61,330 square meters and car parking spaces with a total GFA of 1,010 square meters. Construction of Phase I commenced in November 2006 and we completed it in December 2008. As of June 30, 2009, we had obtained pre-sale permits with respect to 70,085 square meters of GFA in Phase I and had pre-sold 66,601 square meters of GFA in Phase I.

Phase II occupies a total site area of 166,929 square meters, with an estimated total GFA of 232,010 square meters. It consists of retail shops with a total GFA of 20,225 square meters, apartment units with a total GFA of 55,634 square meters, and car parking spaces with a total GFA of 12,357 square meters, a high-quality hotel with an expected total GFA of 49,683 square meters (“Tai'an Hotel”) and a commercial complex with an expected total GFA of 94,110 square meters. The commercial complex houses a department store, a large supermarket, a multi-functional theater and a large food court. Construction of Phase II commenced in July 2007. Except the hotel, we expect to complete the rest of Phase II by October 2009. As of June 30, 2009, we had obtained the relevant pre-sale permits with respect to 154,723 square meters of GFA in Phase II and had pre-sold 50,408 square meters of GFA in Phase II.

We expect to complete approximately 182,327 square meters of GFA by the end of 2009 in respect of Phase II, of which approximately 56,331 square meters of commercial GFA is expected to be held for investment.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Tai'an Powerlong City Plaza were Rmb 579.6 million. We estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 314.8 million to complete this project. We intend to finance such capital expenditures with proceeds derived from the pre-sale of properties in this project as well as bank borrowings.

Yantai Project (煙台項目)

In December 2007, we entered into two land grant contracts with respect to two parcels of land in Yantai City, Shandong Province. The two parcels of land have a total site area of 668,249 square meters with an expected GFA of 950,472 square meters. The total acquisition costs of the land are expected to be approximately Rmb 180.4 million. As of June 30, 2009, the

BUSINESS

total costs incurred in relation to the acquisition of the parcels of land were approximately Rmb 135.0 million. We are funding the acquisition of the land with a portion of the net proceeds from the issue of our Convertible Bonds and Secured Notes, as well as our internally generated fund. As of June 30, 2009, we had obtained the land use rights certificates with respect to a site area of 427,392 square meters. We expect to fully settle the outstanding land premium by December 2009 and obtain the relevant land use rights certificates with respect to the remaining site area by January 2010. We intend to commence construction of Yantai Project in November 2010 and expect to complete it by September 2012.

Licang Project (李滄項目)

In January 2008, we entered into a land grant contract with respect to a parcel of land in Licang district, Qingdao City, Shandong Province. The parcel of land has a total site area of 107,150 square meters with an expected GFA of 363,664 square meters. The total acquisition costs of the land are expected to be approximately Rmb 454.9 million to be paid in three installments. We are funding the acquisition costs with a portion of the net proceeds from the issue of our Convertible Bonds and Secured Notes, as well as our internally generated fund. As of June 30, 2009, the total costs incurred in relation to the acquisition of the parcel of land were approximately Rmb 344.3 million (including taxes). In August 2009, we obtained the land use rights certificates for a site area of 70,047 square meters. We expect to fully settle the outstanding land premium by December 2009 and obtain the relevant land use rights certificates with respect to the remaining site area by January 2010. We intend to commence construction of Licang Project in October 2009 and expect to complete it by December 2011.

PROJECT DESCRIPTION — HENAN PROVINCE

Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)

Zhengzhou Powerlong City Plaza is located in the center of Zhengdong New District near the central business district in Zhengzhou City, Henan Province. This project was developed by Zhengzhou Powerlong, a project company wholly owned by us.

Zhengzhou Powerlong City Plaza occupies a total site area of 113,984 square meters with a total GFA of 247,195 square meters. Of the total GFA, 128,440 square meters are held for sale and 118,755 square meters are held for lease (including car parking spaces with a GFA of 30,395 square meters).

Zhengzhou Powerlong City Plaza consists of a large-scale, multi-functional commercial complex with a total GFA of 194,951 square meters, hotel-style apartment suites with a total GFA of 15,197 square meters, retail shops with a total GFA of 6,651 square meters and car parking spaces with a total GFA of 30,395 square meters. The commercial complex houses a large high quality shopping mall, an Olympic-size ice skating rink, a multi-purpose theater, a large food court and other entertainment facilities. We expect that the commercial complex will be open for business by the end of 2009.

Major tenants of the commercial complex include ITAT, Champion Rink and Zhengzhou Outlets. As of June 30, 2009, we had entered into lease agreements in respect of a total GFA of 43,531 square meters of GFA with our tenants. As of the same date, we had also signed letters of intent with Lianhua Supermarket pursuant to which Lianhua Supermarket has agreed to lease a total GFA of 21,965 square meters for its supermarket operations. As of June 30, 2009, we had sold 63,717 square meters and delivered 63,647 square meters in this project. As of the

BUSINESS

same date, we had a total GFA of 88,359 square meters held for lease, of which a GFA of 43,531 square meters, or 49.3%, had been contracted to be leased out (excluding car parking spaces). As of June 30, 2009, we had a total GFA of 74,416 square meters, or 84.2%, which was subject to lease agreements or letters of intent.

We commenced development of this project in July 2006 and we completed it in December 2008. We are currently applying for the certificate of completion in respect of this project and expect to obtain such certificate of completion in the fourth quarter of 2009. We entered into the land grant contract with respect to Zhengzhou Powerlong City Plaza in March 2005. We had obtained all the land use rights certificates with respect to this project and had paid land premium totaling Rmb 125.9 million (including taxes) as of June 30, 2009. This represented the total land premium for this project.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Zhengzhou Powerlong City Plaza were Rmb 690.3 million, and our accumulated sales revenue during the Track Record Period for this project was Rmb 705.9 million.

Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)

Luoyang Powerlong City Plaza is located in Luolong District, Luoyang City, Henan Province. This project is being developed by Luoyang Powerlong, a project company wholly owned by us.

This project consists of two phases and has a total site area of 355,607 square meters with a total GFA of 874,968 square meters. The two phases are further divided into six districts from A to F. Of the total GFA, 673,597 square meters are expected to be held for sale and 201,371 square meters are expected to be held for lease.

We entered into the land grant contract with respect to Luoyang Powerlong City Plaza in February 2006. We had obtained all the relevant land use rights certificates with respect to Phase I and Phase II and had paid land premium totaling Rmb 143.4 million (including taxes) as of June 30, 2009. We expect to settle the outstanding land premium of approximately Rmb 89.6 million by February 2011. As we had obtained the land use rights certificates before we fully settled the land premium, we may be requested by the local land resources bureau to settle the outstanding land premium in one lump sum. As of the Latest Practicable Date, we still had outstanding land premium of approximately Rmb 67.6 million which we expect to settle in three installments in October 2009, 2010 and 2011 as stipulated under the underlying land grant contract.

A portion of Phase I (comprising districts D and E) occupies a total site area of 115,243 square meters with a total GFA of 372,263 square meters. This portion of Phase I consists of a commercial podium with a total GFA of 241,300 square meters operated as a wholesale market, apartment units with a total GFA of 101,378 square meters and car parking spaces with a total GFA of 29,585 square meters. Construction of this portion of Phase I commenced in November 2006 and we expect to complete it by October 2009. As of June 30, 2009, we had obtained the relevant pre-sale permits with respect to 357,399 square meters of GFA in Phase I and had pre-sold 142,583 square meters of GFA in Phase I.

BUSINESS

Phase II (comprising districts A, B, C and F) occupies a total site area of 240,364 square meters, with an estimated total GFA of 502,705 square meters. Phase II is expected to consist of a commercial complex and retail shops with a total GFA of 147,815 square meters, car parking spaces with a total GFA of 55,322 square meters and apartment units with total GFA of 299,568 square meters. The commercial complex is expected to house a department store, a supermarket, cinema and a large food court. We expect to commence construction of Phase II in March 2010 and to complete it by December 2012. As of June 30, 2009, we had obtained the relevant pre-sale permits with respect to 68,887 square meters in Phase II.

We expect to complete approximately 372,263 square meters of GFA by the end of 2009 in respect of Luoyang Powerlong City Plaza, of which approximately 63,200 square meters of commercial GFA is expected to be held for investment.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for Luoyang Powerlong City Plaza were Rmb 696.6 million. We estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 1,213.8 million to complete this project. We intend to finance such capital expenditures with proceeds derived from the pre-sale of properties in this project as well as bank borrowings.

Xinxiang Project (新鄉項目)

In January 2008, we entered into a land grant contract with respect to two parcels of land in Xinxiang City, Henan Province. The land parcels have a total site area of 299,980 square meters with an expected GFA of 800,000 square meters. The total acquisition costs of the land are expected to be approximately Rmb 270.0 million. We are funding the acquisition of the land with a portion of the net proceeds from the issue of our Convertible Bonds and Secured Notes, as well as our internally generated fund. As of June 30, 2009, the total costs incurred in relation to the acquisition of the land parcel were approximately Rmb 140.8 million (including taxes). As of June 30, 2009, we had obtained the land use rights certificates with respect to a site area of 106,667 square meters. We expect to fully settle the outstanding land premium by December 2009 and obtain the relevant land use rights certificates with respect to the remaining site area by January 2010. We intend to commence construction of Xinxiang Project in November 2009 and expect to complete it by September 2012.

PROJECT DESCRIPTION — ANHUI PROVINCE

Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)

Bengbu Powerlong City Plaza is located in the comprehensive development zone in the new downtown area of Bengbu City and at the geographical center of Bengbu City, Anhui Province. This project is being developed by Bengbu Powerlong, a project company wholly owned by us.

Bengbu Powerlong City Plaza occupies a total site area of 192,313 square meters with a total GFA of 491,209 square meters. Of the total GFA, 232,249 square meters are expected to be held for sale and approximately 258,960 square meters are expected to be held for lease.

BUSINESS

We entered into the land use right transfer agreement with respect to Bengbu Powerlong City Plaza in December 2005. As of June 30, 2009, we had obtained all the land use rights certificates with respect to this project and had paid land premium totaling Rmb 196.2 million (including taxes). This represented the total land premium for this project.

Phase I occupies a total site area of 90,522 square meters with a total GFA of 195,543 square meters, consisting of apartment units with a total GFA of 130,935 square meters, commercial and retail shops with a total GFA of 52,049 square meters and car parking spaces with a total GFA of 12,559 square meters. Of the total GFA, 173,715 square meters are expected to be held for sale and approximately 21,828 square meters are expected to be held for investment. Construction of Bengbu Powerlong City Plaza Phase I commenced in September 2006 and was completed in December 2008. As of June 30, 2009, we had obtained the relevant pre-sale permits with respect to 183,307 square meters of GFA in Phase I and had pre-sold 147,753 square meters of GFA in Phase I.

Phase II (comprising sections A and B) occupies a total site area of 101,791 square meters with a total GFA of 295,666 square meters, consisting of a large-scale multi-functional commercial complex with a total GFA of 220,255 square meters and car parking spaces with a total GFA of 75,411 square meters. The commercial complex includes a large supermarket, a large department store, a multi-theater cinema and a large food court. Construction of Phase II commenced in September 2006 and we expect to complete it by February 2010. As of June 30, 2009, we had obtained the relevant pre-sale permits with respect to 222,730 square meters of GFA in Phase II and had pre-sold 20,263 square meters of GFA in Phase II.

We expect to complete approximately 152,435 square meters of GFA (representing the entire GFA of section A) by the end of 2009 in respect of Bengbu Powerlong City Plaza Phase II, of which approximately 85,027 square meters of commercial GFA are expected to be held for investment. We have entered into lease agreements with Ruijing Commercial and Tesco (Shanghai Kangcheng), in relation to 21,844 square meters of GFA and 17,625 square meters of GFA, respectively, and for a term of 15 years and 20 years, respectively, starting from 2009. As of June 30, 2009, we had a total GFA of 21,828 square meters held for lease, of which a GFA of 11,055 square meters, or 50.6%, had been contracted to be leased out (excluding car parking spaces).

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs, and capitalized finance costs) incurred for Bengbu Powerlong City Plaza were Rmb 868.0 million. We estimate that, as of June 30, 2009, we will need to invest approximately an additional Rmb 293.5 million to complete this project. We intend to finance such capital expenditures for this project with proceeds derived from the pre-sale of properties in this project as well as bank borrowings.

RECENT DEVELOPMENT

On September 9, 2009, we entered into a number of non-binding investment framework agreements (the “Framework Agreements”) with the local governments in Xiamen City and Anxi City in Fujian Province, Wuhan City in Hubei Province, Changsha City in Hunan Province, Hefei City in Anhui Province, Jimo City in Shandong Province and Shanghai City, pursuant to which we and the relevant local governments agreed to co-operate in the development of large-scale, multi-functional commercial-residential complexes modeled on some of our existing “Powerlong City Plaza” projects in each of these cities. We expect such commercial-residential complexes to contain a wide range of commercial properties, including supermarkets, department stores,

BUSINESS

retail shops, cinemas, food courts and other recreational facilities, as well as residential units. We intend to introduce our anchor tenants to these commercial-residential complexes, as well as to secure other domestically or internationally well-known brands across a wide spectrum of industries as our tenants.

The following table sets forth the city, estimated site area and GFA of the seven parcels of land intended for development into “Powerlong City Plaza” projects.

<u>Site location</u>	<u>Estimated site area</u> (sq.m.)	<u>Estimated GFA</u> (sq.m.)
Fujian Province		
Xiamen City	N/A	N/A
Anxi City	46,000	154,000
Hubei Province		
Wuhan City	100,000	N/A
Hunan Province		
Changsha City	113,000	300,000
Anhui Province		
Hefei City	170,000	510,000
Shandong Province		
Jimo City	N/A	N/A
Shanghai	N/A	N/A

Note:

(1) N/A means data is not available in the Framework Agreement.

As the Framework Agreements are not legally binding and we are not under any obligation to enter into formal agreements with the relevant local governments, there is a possibility that these co-operative opportunities may not eventuate and if so, no formal agreement will be subsequently entered into. Under the Framework Agreements, all land use rights with respect to these parcels of land are to be granted by the relevant local governmental authorities via public tender, auction or listing-for-sale, and we cannot be certain that we will be successful in obtaining the relevant land use rights on terms acceptable to us, or at all, when such government-organized public tender, auction or listing-for-sale is conducted. In the event that we decide to enter into formal agreements in respect of the arrangements set out under the Framework Agreements, we intend to carefully assess our business, cash flow and financial position in order to make a prudent and responsible decision. In addition, we will make relevant announcements in accordance with requirements of the Listing Rules as and when appropriate.

PROPERTY DEVELOPMENT

Our business operations primarily involve the development and operation of high-quality, large-scale, multi-functional commercial complexes targeting commercial property tenants and buyers. We also develop and sell quality residential properties targeting individual property buyers. We currently have operations in a number of cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province and Anhui Province, and we intend to expand our commercial property development operations to other fast-growing, emerging cities in China. Our projects typically comprise commercial complexes and residential properties. In certain

BUSINESS

selected cities, depending on location and the expected market demand, we may also include high-quality hotels or large-scale indoor amusement parks in our projects. We will continue to explore the property markets in the regions in which we currently operate and pursue suitable opportunities in strategically selected cities in other regions in China.

PROJECT DEVELOPMENT PROCESS

City and Site Selection

We review cities and sites in China to identify potential development opportunities. Our Board, our investment development center, our investment decision committee and certain senior management personnel are actively involved in the city and site selection process and closely follow our established site and city selection guidelines. Our investment development center consists of our market research and business development personnel and our investment decision committee consists of certain members of our Board and senior management. Our Directors and senior management personnel involved in city and site selection, including Hoi Kin Hong, Hoi Wa Fong and Au-Yeung Po Fung, have extensive experience in the PRC real estate industry. Our current projects are chosen after a thorough screening process comprising numerous site visits, thorough market research and analysis. Prior to purchasing a parcel of land, we collect all relevant information regarding the potential acquisition opportunity and conduct preliminary feasibility studies and market research to evaluate the potential risk and return of the investment, potential property demand in that area, preferences of the target customer groups and potential competition from other property developers in the vicinity. For our market research and analysis, we typically obtain information from research reports produced by independent third party market researchers and data compiled internally by our investment development division through their own research. We also rely on data extracted from official government publications and other publications produced by relevant industry associations.

Before we decide whether to expand into a city or acquire a site, we consider the compatibility of the acquisition opportunity with our overall investment strategy and objectives. We then draw up an initial project development blue print and conduct a preliminary feasibility study. If we are satisfied with the result of the feasibility study, we will continue with our due diligence investigations and conduct more detailed analysis of the acquisition. If the due diligence result is satisfactory, we will prepare a detailed project design and investment return analysis. This will then be passed to our investment development center for their review in preparation of a further feasibility study report. This report is submitted to our investment decision committee for final consideration and approval. We will proceed with the acquisition if we conclude from our evaluation procedures that a particular site has good development potential and an acceptable risk profile. We believe all these pre-purchase measures help us to acquire land prudently and develop our projects with a clear market positioning from the beginning. We have formulated a set of criteria in our city selection process, including:

- size and population of the city;
- general economic development;
- purchasing power of the residents;
- urban planning and development;
- local government administrative efficiency and service attitude;

BUSINESS

- anticipated demand for private commercial and residential properties;
- future land availability; and
- overall competitive landscape.

We consider the following factors for site selection:

- site area and suitability for large-scale integrated commercial and residential development;
- location within the city;
- neighboring environment and public amenities such as transport;
- consumer behavior of residents and their way of life;
- infrastructure available or to be made available by the local government;
- government planning for the area; and
- overall cost structure of the potential development.

We believe the most important factor in our decision to undertake a property project investment is the relative land acquisition costs to expected selling prices and expected rental income to be derived from our tenants.

Land Acquisition

Under current PRC laws and regulations, land use rights for property development must be granted by the relevant governmental authorities via public tender, auction or listing-for-sale. Listing-for-sale is where the grantor issues a listing-for-sale announcement specifying a set of land grant conditions. The conditions will be listed for a period within which bidders can make payment applications. The successful bidder to be granted the land will be announced at the end of the listing period. In an acquisition of land by tender, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal in deciding to whom to grant the land use rights. Grantees of land use rights may, however, dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the land grant contracts and relevant laws and regulations. During the Track Record Period, we obtained most of our land through public tenders and listings-for-sale.

As a commercial property developer and operator focusing on development and operation of large-scale commercial complexes, we believe that acquiring land at competitive price is critical to our overall development strategy. We currently expect to build up sufficient land reserves to fulfill our development requirements for the next three years on a rolling basis. As of June 30, 2009, we had a total site area of approximately 1,525,474 square meters of land under development and a total site area of approximately 1,786,885 square meters of land held for future development. We continually search for land sites that meet our selection criteria.

BUSINESS

We typically finance our land acquisition costs with cash generated internally from our operations. However, as we grow larger and gain more access to the debt and equity markets, we may also access the capital market and finance our land acquisition costs with debt and equity instruments.

Project Planning and Design

Once a site is selected, we normally discuss our plans with local governments and provide them with ideas on how the site would be developed in a way that fits into the overall development plan of the city. We have 18 project companies, which work closely with our internal planning and design department, our external designers and architects in master planning, architectural design, landscape design and interior design. All of these external designers and architects are independent third parties. To ensure that the project design of each of our projects reflects the positioning of our products, our senior management team actively participates during the whole process, especially in the master planning and architectural design of our projects. Upon completion of our properties that are built for rental purposes, we may also render design support and fit-out work for our tenants. However, we do not directly carry out any actual design and fit-out work for our tenants. Our tenants may submit their interior design and fit-out specifications and requirements to us and we will review the submission to determine whether it is in line with the overall style of our project, particularly, the commercial complex. We will assist our tenants to carry out their interior design and fit-out if we approve of their plans.

In determining the design of our projects, we consider:

- the environment surrounding the site;
- local government planning and development requirements or restrictions for the site;
- advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel;
- type of buildings to be developed; and
- requirements and preferences of our principal anchor tenants.

Historically, the projects which we and our subsidiary project companies have developed has principally been designed by domestically and internationally well-known design firms with whom we have long-term relationships. With a view to integrating quality with innovation in designs for our properties, in recent years we have also retained renowned domestic and international design houses to help design our projects in various aspects, including master planning, architectural design, landscape design and interior design. Over the years, we have developed strong relationships with a number of nationally and internationally well-known design firms. For example, we have worked with China Northwest Building Design Research Institute (中國西北建築設計研究院) (“Northwest Building Design”) for over nine years. Northwest Building Design is a premier national design institute in China, which has jointly designed various projects with other domestic and international developers in the past. We have also worked with Zhongji Shiyuan International Engineering Company Limited (中機十院國際工程有限公司) (“Zhongji Shiyuan”) for three years, Forrec Ltd. of Canada for two years and Xiamen Hordor Architecture & Engineering Design Group Co., Ltd. (廈門合道工程設計集團有限公司) for one year. Zhongji Shiyuan is a leading integrated national research and design body known for its technical abilities and Forrec Ltd. is a reputable design firm specializing in tourism and

BUSINESS

entertainment properties and has designed many landmark projects all over the world. We have also recently co-operated with Taipan Planning & Design Consultants Limited of Hong Kong. Design fees paid to external design firms are calculated based on industry pricing guidelines and depend to a certain extent on our design specifications. Payment is made in installments according to the progress of the project and the contract amount is generally settled after the project has passed the requisite completion acceptance inspections. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we incurred Rmb 18.6 million, Rmb 38.6 million, Rmb 42.5 million and Rmb 6.8 million of project design fees, respectively.

Project Management

We develop and manage our projects through our wholly owned or majority owned regional project companies in the regions in which we have operations. These project companies are responsible for managing the day-to-day operations of each project, including executing plans and standards set by our project management team in the Xiamen headquarters, overseeing construction on site and managing minor design modifications. Our project management team at our Xiamen headquarters is responsible for developing the project development master plan, setting technical and cost specifications, selling prices, overall rental and sale strategies and procurement of the main construction materials and key equipment. Our project management team at our Xiamen headquarters coordinates its efforts with the project companies through detailed project development plans and regular meetings. The project development plans set out allocation of work and performance targets. Any issues or potential problems are identified and discussed at our internal meetings to ensure prompt resolution. In order to ensure that the projects are completed on a timely basis and within the relevant budget, we monitor the progress of the construction of our projects through the monthly planning and progress review to identify areas that may hinder the progress of the projects. In addition, we monitor the cost of our project developments through monthly cost audits to identify any cost items that may exceed the original budget and thus need to be adjusted. We adhere to our budget and design specifications to minimize changes to our overall project plan.

Project Construction

Our construction work is outsourced to independent construction companies, which are selected through a tender process. We typically invite a minimum of three qualified construction companies to bid for a construction project through a tender by invitation process. We have established a selection procedure to choose our construction contractors in order to ensure compliance with our quality and workmanship standards. The selection procedure involves detailed due diligence work on the contractors during the bidding process before offering the construction contract to them. We typically take into account the contractor’s professional qualifications, reputation in the industry, track record, past co-operation with us, financial condition and technical abilities. Our tender and bidding committee, which is comprised of certain members of our Board and senior management with tender and bidding, budget and cost control experience in the real estate industry, including Hoi Kin Hong, Hoi Wa Fong and Shi Sze Ni, carefully evaluates the suitability of each potential contractor and determines who we award the contract to. We also review the qualifications and performance of our construction contractors on an annual basis. Under relevant PRC laws and regulations, construction contractors need to have obtained the relevant construction qualification certificates for the type of construction work they carry out before they can undertake such property construction work.

BUSINESS

During the Track Record Period, all of the construction contractors we engaged possessed all the requisite licenses. Our contractors are not allowed to subcontract or transfer their contractual agreements with us to any third party without our consent.

Under our typical construction contracts, we are primarily responsible for preparatory construction work, including resident relocation (if applicable), utilities connection and road construction. The contractor is typically obliged to undertake the construction work in strict compliance with our designs and requirements, and to provide regular progress reports (typically once a week) which enable us to closely monitor the construction progress. Contract payments may be made on a fixed-price, adjustable-price or costs-plus-remuneration basis. Pre-payments are made seven days prior to the proposed commencement date and are deducted during the course of the construction. Further stage construction payments are made upon completion of each specific stage.

Our contractors are typically responsible for procuring the construction materials to be used in our projects, but in certain circumstances, we may specify the supplier, brand and manufacturer of construction materials in order to ensure that they meet our particular requirements. For example, we may specify the supplier, brand and manufacturer of construction materials where the quality of product may vary significantly depending on the brand and manufacturer of such product, for example, paint, tiles and electric cables, or if we require specialty materials that may be more difficult to source. For key construction materials such as cement, we typically designate a few reputable suppliers from whom our contractors source those materials. We typically procure other key materials and equipment such as steel, escalators, lifts and air conditioning units ourselves. In relation to some these self-procured materials and equipment, we enter into a tripartite supply agreement with the construction contractor and the materials supplier, under which we are responsible for negotiating the price and the materials supplier is responsible for supplying the materials to the construction contractor. We generally determine whether to procure the construction materials ourselves depending on whether such materials are key materials in our construction process and whether they contribute to a significant proportion of our construction materials costs (for example, steel, lifts and air conditioning units). For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the total costs of materials which we directly procured amounted to approximately Rmb 113.3 million, Rmb 350.9 million, Rmb 242.1 million and Rmb 22.6 million, respectively. For those materials which we directly procured, purchases from the five largest suppliers accounted for 79.9%, 90.9%, 92.8% and 94.7% of our total purchases, respectively, and purchases from the largest supplier accounted for 32.6%, 33.4%, 21.8% and 54.5% of our total purchases, respectively, during the Track Record Period. Under the construction contracts with our contractors, materials procured by our contractors are subject to approval by our on-site engineer and supervisory engineer before they are used in our projects. We believe that these measures allow us to better control the quality of key construction materials used in our projects and ensure timely completion of the projects. Substantially all of the costs of construction materials, whether procured ourselves or by the contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors. Apart from civil engineering construction, our construction work also includes gardening and landscaping, which are entirely outsourced to independent service providers.

We finance construction costs primarily with internal funds, proceeds from pre-sales and bank borrowings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. In 2006, 2007 and 2008 and for the six months ended June 30, 2009, total construction costs paid to our construction contractors were Rmb 633.2 million, Rmb 1,450.0 million, Rmb 1,578.8 million and Rmb 474.9

BUSINESS

million, respectively. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the construction costs incurred in respect of our largest construction contractor accounted for approximately 17.1%, 17.9%, 11.8% and 17.0%, respectively, of our total construction costs incurred. During the same periods, construction costs incurred in respect of our five largest construction contractors accounted for approximately 31.7%, 45.1%, 37.2% and 41.7%, respectively, of our total construction costs incurred. None of our Directors, their associates or any of our shareholders holding more than 5% of our issued share capital has any interest in our five largest construction contractors.

Quality Control and Construction Supervision

The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. In compliance with PRC laws and regulations, we also engage certified construction supervision companies to monitor certain aspects of our project construction as specified by the relevant laws and regulations. These construction supervision companies conduct quality and safety control checks on all building materials and workmanship on site. They also monitor the progress of construction, work site safety and construction completion schedule. Under relevant PRC laws and regulations, the construction supervision companies are required to obtain supervision qualification certificates in order to be able to carry out supervision work on construction sites during different stages of project construction. Fees paid to the construction supervision companies are determined based on a negotiated percentage of the total construction cost of a project. We typically make monthly payments to the construction supervision company until approximately 80% of the contract sum is paid. The remaining amount is settled within 30 days after the project has passed the requisite completion acceptance inspections. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we paid service fees amounting to approximately Rmb 2.3 million, Rmb 3.7 million, Rmb 4.3 million and Rmb 1.5 million, respectively, to the construction supervision companies we engaged.

The contractors are also required to comply with our quality control measures, such as the appointment of on-site project representatives to oversee the progress, quality and safety of the construction work, pre-examination of construction materials before they are used in the project, and on-site inspections. Although we experienced occasional delays in construction and unsatisfactory workmanship during the Track Record Period, they were rectified in a timely manner and we did not suffer any material adverse impact with respect to our projects or our results of operations. Going forward, we intend to establish a yearly, quarterly and monthly integrated project development plan to better co-ordinate the various stages of a property development project and to enhance co-operation between different departments. We also intend to have more frequent site inspections to monitor construction progress so as to accelerate the process of identifying and resolving any problems. We plan to better monitor the timely completion of project milestones and to send relevant experts to provide on-site supervision over major construction procedures. Furthermore, we intend to further delegate supervision powers to our project companies and provide them with performance-based incentives linked to work progress and quality. We believe these control measures may help us to further reduce construction delays and unsatisfactory workmanship.

Our construction contracts generally provide for progressive payments according to milestones reached, until approximately 80% of the total contract sum is paid. We will settle 15% of the remaining contract fee after the project has passed the completion acceptance

BUSINESS

inspection. We typically withhold the final 5% of the contract fee for a number of years after completion of construction to give additional assurance and cover any contingent expenses incurred as a result of any construction defects. The unused portion of such warranty fee or retention money will be returned to the contractors after the expiration of the warranty period. Warranty periods typically range from one to two years depending on the type of construction. We believe the amount of retention money we withhold under our construction contracts is in line with industry practice and our Directors are of the view that such retention money is sufficient to cover the construction warranties we give to our customers under the sale and purchase agreements. In addition, we generally require our contractors to provide us with performance bonds of approximately 3% of the contract fee after we have entered into construction contracts with them. In the event of a delay in construction or unsatisfactory workmanship, we may require the construction companies to rectify the defects at their expense and pay us a penalty. The performance bonds are returned to the contractors after satisfactory completion acceptance inspection of the properties have been made. During the Track Record Period, we did not experience any material delay in construction or unsatisfactory workmanship with respect to our projects.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had total warranty fees or retention money (representing deposits from construction contractors) of Rmb 48.7 million, Rmb 74.0 million, Rmb 99.4 million and Rmb 108.6 million, respectively. During the Track Record Period, we did not experience any incident where the retention money was insufficient to cover the amount we had to pay to rectify the construction defects.

Pre-sales

Like other developers, we pre-sell properties prior to the completion of their construction. According to the Urban Real Estate Law 《中華人民共和國城市房地產管理法》 and the Administrative Measures Governing the Pre-sale of Urban Real Estate 《城市商品房預售管理辦法》, property developers must satisfy specific conditions before they can pre-sell their properties under construction. These mandatory conditions include the following:

- the land premium must have been paid in full;
- the land use rights certificate, the construction land use planning permit, construction planning permit and the construction commencement permit must have been obtained;
- at least 25% of the total project development investment must have been made;
- the progress and the expected completion and delivery date of the construction must be properly ascertained; and
- the pre-sale permit must have been obtained.

These mandatory conditions are designed to impose a restriction on developers with respect to when pre-sales can commence. They are predicated on substantial progress in project construction and in capital expenditure. Generally, local governments also require developers and property purchasers to use model sale and purchase agreements prepared under the auspices of the government. Developers must file all sale and purchase agreements with local land resources bureaus and state administrations within 30 days of entering into such contracts.

BUSINESS

Local governments may have additional conditions for commencing pre-sales of properties. According to relevant regulations applicable in Zhengzhou City, Henan Province, we must also satisfy the following conditions before we can commence pre-sale of properties:

- for a building that is no more than six storeys, the main structural construction has been completed with respect to at least two storeys (including basement);
- for a building that is between seven and 12 storeys, the main structural construction has been completed with respect to at least three storeys (including basement);
- for a building that is more than 12 storeys, the main structural construction has been completed with respect to at least five storeys; and
- a special property pre-sale account has been set up at a commercial bank in the place where the project is located, and an agreement in relation to the supervision of pre-sale bank account has been entered into.

In addition, in relation to our project in Shandong Province, we must ensure that all foundation construction work is completed before we may start pre-sale. In relation to our projects in Wuxi City, we must finish the preliminary connection work of utilities (including water and electricity) before we may commence pre-sale.

We have satisfied the above pre-sale conditions before we started pre-selling the properties we developed. Other than Zhengzhou City, Shandong Province and Wuxi City, we are currently not aware of any additional conditions in the cities where we have property projects which we need to comply with in relation to the pre-sale of properties.

Prior to the commencement of pre-sales, we set up separate pre-sale bank accounts into which all the pre-sale proceeds from a particular project are paid. We make payment to the construction contractors and suppliers of construction materials according to the progress of construction work. We have complied with the relevant statutory requirements for pre-sales, including but not limited to, applying the pre-sale proceeds only towards the settlement of the construction costs and other costs of the relevant projects pre-sold.

In determining the selling prices of our properties, Hualong Commercial and our regional project companies conduct market research and prepare a selling price recommendation report taking into account the prices of properties with similar quality in the surrounding areas, construction costs, construction schedule and other investment return considerations. The selling price recommendation report is then submitted to our sales and marketing team for review before it is given to our president for final approval. After the property sales process has commenced, we continue to review and make any necessary adjustments to the selling prices based on market conditions, customer reactions and the selling prices of competing properties in the vicinity.

Sales and Marketing

We maintain a centralized marketing and sales force for all of our development projects in China. Our marketing and sales team conducts the sales and marketing activities for most of our property projects but we also employ external professional property sales agencies from time to time such as branch companies of E-House, one of the largest property agency and consulting firms in the PRC and a company listed on the New York Stock Exchange, to provide sales and

BUSINESS

marketing services for certain of our property projects. We believe this approach ensures consistency in our promotion and sales strategy on a nationwide basis. Our centralized marketing team formulates our nationwide marketing strategies and coordinates our promotion activities across the cities in which we operate. As of June 30, 2009, we had over 154 personnel specializing in sales and marketing. The majority of our other sales and marketing staff have approximately three years of industry experience and generally have a good understanding of the local real estate market in the cities where we operate. We offer our local sales and marketing personnel performance-based remuneration packages according to the pre-determined sales target we set for each of our projects as well as other qualitative factors. Our sales and marketing staff at our headquarters also receive bonuses determined based on our overall performance in a particular year. Their responsibilities include market research, brand promotion, sales planning, property pricing and sales management. We train and use our own sales force rather than rely on outside brokers and agents for most of our projects. We believe our own dedicated sales representatives are better positioned to serve our customers and to control our property promotion and selling expenses.

Our sales and marketing staff cooperate closely to determine the appropriate advertising and selling plans for a particular project. They also conduct market research, formulate sales, pre-sales and pricing strategies and plan and organize on-site sale and pre-sale procedures. Our promotion channels include billboard advertisements, promotion over the visual and print media, and model display. As part of our marketing strategy, we organize potential customers to visit our completed projects. These showcase visits facilitate the sales of our properties and help to promote our brand.

Our target rental customer group is retail, hospitality, recreation and entertainment services providers and other business entities looking to lease quality premises in attractive locations. We also sell some of our commercial properties if we believe such sale will generate better returns on our investment. We target sales of our residential properties at mid to high income individuals. For 2006, 2007 and 2008 and the six months ended June 30, 2009, the percentage of revenue attributable to our largest customer was approximately 1.7%, 1.0%, 3.7% and 20.2%, respectively. The percentage of revenue attributable to our five largest customers was approximately 5.9%, 3.4%, 6.6% and 25.5%, respectively, in the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009. None of our Directors, their associates or any of our shareholders holding more than 5% of our issued capital has any interest in our five largest customers during the Track Record Period.

Most of the customers of our residential properties purchase our properties with mortgage loans. As is customary in the PRC property industry, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our residential and commercial properties up until we complete the construction of the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks. See the section entitled “Financial Information — Indebtedness, Contingent Liabilities and Net Current Liabilities — Contingent Liabilities” in this document.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may pay us using mortgage loans from banks. We typically require our purchasers to pay a nominal non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal sale and purchase agreements, they will forfeit

BUSINESS

such deposits. Upon executing the formal sale and purchase agreements, the purchasers are typically required to pay not less than 30% of the total purchase price of the property within five days, and the mortgagee banks will pay the remaining balance once the customers have completed the mortgage application procedures. If the purchasers choose to fund their purchases with mortgage loans provided by banks, it is their responsibility to apply for and obtain the mortgage approvals although we will assist them on an as needed basis. The payment terms of sales and pre-sales of properties are substantially identical.

Most of our customers purchase our properties with the assistance of mortgage financing. In accordance with industry practice in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our pre-sold properties. Under the guarantees, we are required to guarantee the timely repayment of the principal and interest amount of the loans by the purchasers. As a guarantor, we are jointly responsible for the payment of the mortgage loan. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers; and (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees on the mortgage loans of the purchasers of our properties amounted to Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million, respectively. During the Track Record Period, we did not encounter any mortgage loan default with respect to which we were required by mortgagee banks to honor our obligations. See the section entitled “Risk Factors — Risks Relating to Our Businesses — We guarantee mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans” in this document.

Delivery and After-sales Services

We endeavor to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects as well as conducting pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project has passed the requisite completion acceptance inspections and obtained the relevant completion acceptance certificate and other government certificates necessary for delivery, our customer service staff will notify our customers in respect of delivery. Our sales and marketing staff, our construction team, together with staff of the property management company, will inspect the properties prior to delivery to ensure quality. If we fail to deliver the property to our customers within 60 days of the date of delivery stipulated in the sale and purchase agreement, we will be liable to pay a monetary penalty of 0.01% of the pre-sale proceeds per day. When we deliver the completed properties to our customers, we are also required to deliver the building quality guarantee certificate (住宅質量保證書). After delivery of completed properties, we are then required to assist our customers with obtaining the property ownership certificates by providing all requisite information to the local titles office for registration.

Our customer service department is responsible for managing our after-sales services. We offer communication channels to our customers for them to provide their feedback and complaints about our products or services, including a telephone hotline and a customer service center at our head office. Our property management companies also handle customer complaints.

BUSINESS

Property Management

Prior to delivery of properties to our customers, we engage our wholly owned property management subsidiaries, Hualong Property and Hualong Commercial, to manage our residential properties and commercial properties, respectively. After the delivery of properties to customers, with a view to ensuring quality in property management, we continue to engage Hualong Commercial and Hualong Property to provide property management services to customers until the owners of the relevant project developments have become entitled to elect their own property management companies. The services provided by our property management companies include security, property maintenance, gardening and other ancillary services. As of the Latest Practicable Date, owners of all of our developments who had become entitled to elect their property management companies continued to choose our wholly owned property management subsidiaries to manage their properties. As of the Latest Practicable Date, we had not experienced any incident where the owners of our properties terminated the property management services of our property management companies. Our property management companies provide property management services exclusively to properties we have developed.

Our property management companies typically enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party without the prior consent of property owners. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contract also sets forth the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners. Property management fees are determined with reference to prevailing market rates as decided by the relevant government authorities. The amount of fees payable by each property owner depends on the GFA of their properties under management. Our property management companies issue monthly invoices to the property owners and the management fees are generally settled on a monthly basis. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we derived revenue from our property management services of Rmb 3.0 million, Rmb 7.9 million, Rmb 16.0 million and Rmb 10.3 million, respectively.

INVESTMENT PROPERTIES

Our property investment objective is to achieve recurring rental income and long-term capital appreciation through increases in the value of our properties. We expect to realize our investment objective through the development, sale, management and operation of property projects in China. Our policy is to maintain a balanced portfolio of properties developed for sale, consisting of residential properties, and properties held for lease, consisting of commercial properties. We intend to hold an increasing proportion of GFA in the commercial properties we have developed as investment properties. The completed investment properties we held as of the Latest Practicable Date are located in Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza. As of June 30, 2009, we held an aggregate GFA of approximately 205,022 square meters (excluding car parking spaces) for investment. As we plan to increase our portfolio of investment properties, revenue from, and profit contributions of, investment properties are expected to increase in the future.

BUSINESS

Tenants and Leases

We retain ownership of a portion of the GFA of our commercial complexes. We seek to maintain long-term relationships with our anchor tenants and to maintain a good balance in tenant composition. We have a leasing department which is responsible for formulating the strategies for our rental properties, such as conducting research to enhance the tenant profile and trade mix. We seek tenants who could help us to promote the image of our rental properties and we take into account the following factors when selecting potential tenants:

- reputation and general brand recognition;
- goods and services offered;
- track record and past relationship with us; and
- potential level of lease payments.

Our commercial complex leases for smaller tenants are generally for terms of 24 to 36 months with annual rent reviews indexed to the consumer price index or fixed percentage increases and typically require security deposits of two months’ rent. If there are anchor tenants taking comparatively large areas at more than one of our commercial complexes, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of between 10 to 20 years with fixed rent provisions. We typically enter into a memorandum of understanding with anchor tenants six months prior to the opening of our commercial complexes.

Rents are typically determined based on prevailing market rates, and the rents payable by our retail tenants sometimes include a turnover component. The majority of our leases contain rental escalation and/or review provisions, with the exception of the leases entered into with Carrefour and Jinyi Cinema in relation to Fuzhou Powerlong City Plaza and ITAT in relation to Zhengzhou Powerlong City Plaza. Rental payments for these leases consist of a monthly base rent and a turnover component calculated annually in accordance with the revenue of a particular tenant for that particular year. We typically require the annual turnover to be verified by an independent third party auditor. Our tenants are generally charged a monthly property management fee. Property management fees are determined according to market conditions and the requirements of the project under management. They are calculated on a per square meter basis and are paid monthly to our property management company. Tenants are also required to pay their own utility charges.

Under the lease agreements we enter into with our tenants, if our tenants terminate the lease without cause before the expiry of the lease term, we are entitled to retain their lease bond and they are liable to pay us a default penalty. Such default penalty is typically equivalent to two months’ rent, but may vary depending on the term of the lease. In addition to the default penalty, we are entitled to rely on other contractual remedies available to us to recover all losses we suffered exceeding the default penalty under the lease agreements as a result of the early termination by the tenants. However, under our lease agreement with Carrefour, starting from the fourth year of its 20-year lease term, Carrefour may terminate the lease without cause by giving us 12 months’ prior notice. Under our lease agreement with ITAT, if ITAT fails to meet certain agreed performance benchmarks for six consecutive months starting from the second

BUSINESS

year of the lease term, then both ITAT and us will have the right to terminate the lease without penalty by giving the other party one month's prior notice. We are then required to return the lease bond to ITAT.

We regularly monitor the performance of the tenants of our commercial complexes. We carry out site inspections to inspect the day-to-day operations of our tenants. We also have service desks in our commercial complexes to handle suggestions or complaints from our customers and we liaise with local government consumer associations to gain customer feed back on our tenants. In addition, we hold meetings from time to time with our tenants to discuss any issues they may have. We also monitor our tenants' rental payment track record to assess their business and financial performance. We may elect not to renew the leases of retail tenants whose performance is not meeting our expectation in order to improve our rental income.

The following table sets forth the top 10 tenants of our commercial complexes in terms of GFA occupied as of June 30, 2009. There were seven tenants in Fuzhou Powerlong City Plaza and three tenants in Zhengzhou Powerlong City Plaza.

No.	Tenant	Industry	Lease terms (years)	Lease commencement date	Lease expiry date	Total GFA (sq.m.)	Proportion of total leasable GFA (%)
1.	Fujian Xinhua Department Stores (福建新華都百貨)	Retail	15	Sep 1, 2008	Dec 31, 2023	29,890.7	12.5
2.	Carrefour (家樂福)	Retail	20	Apr 11, 2007	Apr 11, 2027	20,665.1	8.7
3.	Changle Country Benefits Hotels (長樂國惠大酒店)	Food and Beverages	15	Aug 18, 2007	Aug 18, 2022	7,312.8	3.1
4.	ITAT (深圳華森百貨會員俱樂部)	Retail	5	Dec 01, 2007	Nov 30, 2012	7,295.2	3.1
5.	Fuzhou Powerlong Amusement Management (福州寶龍樂園遊樂有限公司)	Entertainment	10	Apr 30, 2007	Apr 30, 2017	6,879.8	2.9
6.	Royal Bath (皇家衛浴)	Entertainment	10	Dec 16, 2008	Dec 15, 2018	6,064.7	2.5
7.	Gome Electrics (國美電器)	Retail	10	Dec 10, 2006	Dec 10, 2016	6,051.7	2.5
8.	Genesis Entertainment (創世紀娛樂)	Entertainment	12	May 01, 2007	May 01, 2019	5,170.6	2.2
9.	Jinyi Cinema (金逸影城)	Entertainment	10	Feb 14, 2007	Feb 14, 2017	5,131.4	2.1
10.	Zhengzhou Powerlong Food & Beverage Management (鄭州食全食美餐飲管理有限公司)	Food & Beverage	8	Dec 22, 2007	Dec 21, 2015	4,083.0	1.7
Total						98,544.9	41.3

Our top 10 tenants consisted of both international and domestic brands. Fujian Xinhua Department Stores is one of the largest department store chains in Fujian Province. Carrefour is one of the largest supermarket chains in the world. Gome Electronics is the largest consumer electronics retailer in China. Jinyi Cinema is a well-known cinema chain in China. Fuzhou Powerlong Amusement Management and Genesis Entertainment are both popular entertainment venues in Fujian Province, and ITAT is a well-known department store chain in China. Zhengzhou Powerlong Food & Beverage Management is well-known in the food and beverages industry in Henan Province. These top 10 tenants accounted for approximately 100%, 97%, 77% and 78.8% of the total rental income received from our investment properties in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. With the exception of Fuzhou Powerlong Amusement Management and Zhengzhou Powerlong Food & Beverage Management, which are companies controlled by our Controlling Shareholders, our other top eight tenants

BUSINESS

during the Track Record Period were independent third parties unrelated to us or our Controlling Shareholders. Please see the section entitled “Connected Transactions” in this document for further detail.

As of the Latest Practicable Date, none of our major tenants had defaulted on their rental payments, terminated their lease agreements with us prior to expiry or were in breach of the tenancy agreements in any material respects. To our best knowledge, we are not aware of any circumstances that may lead to a default in rental payment or early termination of tenancy agreements in relation to any of our major tenants.

The following table sets forth some of the brands which we consider to be our anchor tenants during the Track Record Period and their respective income contribution to us during that period.

	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	(Rmb in millions)			
Gome Electronics	0.2	3.7	4.4	2.2
Carrefour	—	4.0	6.0	3.0
Jinyi Cinema	—	1.9	2.0	1.0
Fujian Xinhua Department Stores	—	—	15.8	7.5
ITAT	—	0.1	1.6	0.8
Total	0.2	9.7	29.0	14.5

In 2007, we entered into a lease agreement with ITAT in respect of Zhengzhou Powerlong City Plaza. The ITAT lease is for a term of five years starting in December 2007. Rental payment is calculated based on a fixed percentage of actual revenue and is paid on a monthly basis. ITAT is responsible for property management fees and all utilities expenses. As of June 30, 2009, we had entered into lease agreements with Ruijing Commercial and Tesco (Shanghai Kangcheng), respectively, in respect of Bengbu Powerlong City Plaza. The terms and conditions of these leases are largely in line with the leases we enter into with our key tenants. The lease with Ruijing Commercial is for a term of 15 years starting in July 2009, and the lease with Tesco is for a term of 20 years starting in October 2009. Rental payment under each of these two leases is calculated according to a base rent amount per square meter of the leased area and is paid on a monthly basis. Ruijing Commercial and Tesco are responsible for their respective property management fees and all utilities expenses.

As of the Latest Practicable Date, we had obtained some of the relevant building ownership certificates with respect to our investment properties in Fuzhou Powerlong City Plaza and Phase I of Bengbu Powerlong City Plaza. We expect to obtain the remaining building ownership certificates by June 2010. We are currently applying for the certificates of completion with respect to Zhengzhou Powerlong City Plaza and Phase I of Bengbu Powerlong City Plaza and expect to apply for the respective building ownership certificates once the acceptance and compliance forms of construction completion have been received.

Our PRC legal counsel, Jingtian & Gongcheng, is of the opinion that because we have obtained all the relevant permits and approvals necessary for the development of Fuzhou Powerlong City Plaza and Phase I of Bengbu Powerlong City Plaza, including the land use

BUSINESS

rights certificates, construction planning land permit, construction permit and certificates of completion, we are legally entitled to enter into lease agreements with our tenants. Such lease agreements are legal, valid and binding on both the lessor and lessee. Our PRC legal counsel, Jingtian & Gongcheng, is also of the opinion that there is no material legal impediment for us in obtaining the relevant building ownership certificates as a substantial portion of the properties in Fuzhou Powerlong City Plaza has passed the requisite project completion acceptance inspections. With respect to Zhengzhou Powerlong City Plaza and Phase I of Bengbu Powerlong City Plaza, our PRC legal counsel, Jingtian & Gongchang, is of the opinion that once the properties in these projects have passed the requisite project completion inspection, there is no material legal impediment for us to obtain the relevant building ownership certificates. If we are unable to obtain the building ownership certificates for Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Phase I of Bengbu Powerlong City Plaza, our Controlling Shareholders have agreed to indemnify us with respect to any loss and damage suffered by us due to the absence of such building ownership certificates.

HOTEL DEVELOPMENT

We believe the demand for high quality business hotels in Suzhou City, Qingdao City and Tai'an City will grow as their economies continue to grow rapidly. We are currently developing three five-star hotels in these cities and will hold these hotels for investment upon their completion. Qingdao Hotel and Tai'an Hotel are expected to have around 300 guest rooms each and the Suzhou Taicang Hotel is expected to have around 450 guest rooms. All three hotels will be equipped with ancillary facilities commonly associated with five-star hotels, such as swimming pools, ball rooms, club houses, restaurants, retail shops and other entertainment facilities. Construction commenced with respect to the hotels in Suzhou City, Qingdao City and Tai'an City in October 2006, August 2007 and April 2007, respectively, and we expect to complete the construction of these hotels in December 2009, May 2010 and May 2010, respectively. The Suzhou Taicang Hotel is expected to open for business upon the completion of construction and Qingdao Hotel and Tai'an Hotel are expected to open for business within three months after the completion of construction.

We plan to use funds from internal sources and bank borrowings to complete the development of these hotels. We expect that the revenue contributions from our hotels will not be more than 5% of our total revenue for the next three years

As of the Latest Practicable Date, we had entered into operating agreements with Sheraton, a subsidiary of Starwood Hotels Resorts Worldwide Inc., to operate our hotels. Each operating agreement is likely to have a 10 or 15-year term (or longer) commencing on the date of the opening of the respective hotel and ending on its tenth or fifteenth full operating year. The investment returns from hotel developments are generally realized at a later time than other types of property developments.

We believe that by entering into long-term agreements with Sheraton and engaging it to operate our hotels, we will be able to benefit from its global reputation, hotel operation experience as well as its integrated marketing services, global reservation systems and employee training programs. It also enables us to leverage on its internationally recognized brand name to enhance our reputation and corporate image. We believe this will help us to achieve attractive returns on our investments. Pursuant to the hotel operating agreements entered into, Sheraton will operate our hotels at a level of service and quality in conformity with other international hotels operating under the same brand name. Sheraton will receive a monthly fee in consideration of its management and operation services. This fee is calculated based on

BUSINESS

a fixed percentage of the revenue from the operations of each of our hotels for each month and a progressive percentage of the amount by which such revenue exceeds all ordinary and necessary expenses incurred in the operations of such hotels for each calendar year during the terms of the relevant operating agreement. After the payment of this fee and deduction of all necessary reserves, we are entitled to all the profits and losses of our hotels. As the owner of these properties, we will review and approve the operating plans of the hotels proposed by Sheraton. We will also participate in, and approve major decisions regarding, the financial and operational financial management of, the relevant hotels.

We are responsible for hiring all our hotel staff, but Sheraton has the right to nominate certain senior management and key executives. We are entitled to veto up to three such candidates nominated by Sheraton. Under the hotel operating agreements, we jointly establish key performance indicators with Sheraton in order to assess Sheraton’s performance. In addition, we have the right to veto the management plans of the hotels proposed by Sheraton within 30 days of receiving the initial proposal.

PROPERTIES USED BY US

We used office spaces owned by Xiamen Powerlong Information, Zhang Hao Yao (張顥耀) and Zhang Ming Xuan (張銘軒), with a total GFA of 6,024 square meters, at Powerlong Center, 305 Jiahe Road, Xiamen City as our headquarters for no consideration from August to December 2007 as we were in a transitional period pending the completion of the Reorganization. We entered into a lease agreement in January 2008 and have started paying rent to Xiamen Powerlong Information, Zhang Hao Yao and Zhang Ming Xuan. We have also leased 984 square meters of GFA from independent third parties, which we use as staff dormitories in Taicang, Bengbu and Qingdao. The four properties in Taicang were leased from four individuals. The lease terms for the leases in Taicang are from May 2009 to May 2010, February 2009 to February 2010, June 2009 to May 2010 and June 2009 to June 2010. The three properties in Bengbu were leased from three individuals from April 2008 to March 2010 and October 2008 to October 2009. The four properties in Qingdao were leased from four individuals from April 2009 to October 2009 and June 2009 to December 2009.

As of the Latest Practicable Date, these lease agreements had not been registered because the lessors had not applied to have the leases registered. Given that the lessors’ application and assistance are necessary for the registration of leases under the applicable PRC laws and regulations, we are unable to unilaterally register such leases despite our request and efforts to have them registered on time. Our PRC legal counsel, Jingtian & Gongcheng, has confirmed that the requirement for the leases to be registered is an administrative measure, the non-compliance of which may result in an administrative penalty but does not affect the validity of the leases. Accordingly, we believe that our continued use of the premises would not be affected by a delay to register the leases by the lessors and that if our rights as lessee are adversely affected by the lessors’ failure to register the leases, we will seek recourse from the lessors under the lease agreements. Our Controlling Shareholders have also undertaken to indemnify us in the unlikely event that we suffer any loss as a result of the unregistered leases. We believe that if we are unable to renew these leases upon expiry, our business operations would not be adversely affected as we may find alternative venues for our staff dormitories.

BUSINESS

BUSINESS MANAGEMENT

As a result of our recent business expansion, we have taken the following measures to maintain effective management of our business:

- as of June 30, 2009, we had 1,485 full-time employees in business operations. We plan to recruit at least 500 additional employees in 2009 to meet the requirements of our business expansion;
- upgraded our Kingdee K3 Enterprise Resources Management System, with which we have formulated a five-year development plan, annual budget and quarterly budget on a rolling basis;
- outsourced certain services to external service providers to streamline our operations and reduce costs, such as outsourcing our project design and certain interior decoration work to external design firms and interior decoration companies; and
- adopted a centralized accounting system and stringent budget control to closely monitor our capital and cash positions and to manage our financial resources more effectively.

In light of our expansion strategy, we plan to alleviate the pressure on our managerial, operational and financial resources through the following measures:

- *building new project teams led by management personnel with local knowledge and experience.* We plan to allocate personnel managing projects that are near completion to handle new projects in the same region. Experienced project managers can contribute their local knowledge, management experience and provide training to the staff assigned to new projects;
- *delegating decision-making power and authority downstream.* We plan to delegate more decision-making power and execution authority downstream to the project companies to enable more efficient decision-making and execution of operational plans. Our headquarters will maintain effective control of each project company by establishing key operational standards and authority parameters, and by performing regular review, supervision and audit of each project company;
- *recruiting more qualified staff.* We intend to continue to recruit more qualified staff to meet the increased demand for manpower with respect to our new projects in Xinxiang, Suqian, Yantai, Licang and Yancheng. To ensure staff quality, we seek to provide training programs to our new employees. We also seek to focus on training more project managers from our existing mid-level management teams to head up new project companies; and
- *co-operating with academic institutions to cultivate quality executive personnel.* We plan to co-operate with a local university to establish a training course aimed at educating our executives in relation to commercial property development. The course is expected to cover different aspects of commercial property development from project planning and design, property development, property management, sales and

BUSINESS

marketing to investment and regulatory considerations. We expect that the training program will enhance the knowledge and expertise of our executives and help us to better manage our business operations.

In addition, we strive to ensure that our business operations grow in a prudent manner by closely analyzing the PRC regulatory environment, prevailing market conditions and our financial position before taking step-by-step expansion and executing acquisition plans.

COMPETITION

We compete with other real estate developers in a number of areas including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include major domestic integrated commercial property developers and, to a lesser extent, foreign developers. These competitors may have better track records, greater financial, human and other resources, larger sales networks and greater brand recognition.

However, we believe that we have particular competitive advantages in Fujian Province as it is our home base where we developed our earlier property projects and where we have in-depth market knowledge. In regions where we have no prior property development experience, we compete on the basis of our brand name and the strong relationships with our anchor tenants. We believe the barriers to entry into the property markets in Fujian, Jiangsu and Shandong Provinces are relatively higher than those in Henan and Anhui Provinces as the land acquisition costs, capital requirement and property development experience required in Fujian, Jiangsu and Shandong Provinces are generally higher. Please also see the section entitled “Risk Factors — Risks Relating to the Property Development Industry in China — Intensified competition might adversely affect our business and our financial position.”

INTELLECTUAL PROPERTY RIGHTS

The Xiamen Powerlong Group has registered the trademarks of “**POWERLONG**” and “” with the PRC Trademark Office under various categories including property development, construction, property lease, real estate agency and hotels. We have entered into a trademarks license agreement with Xiamen Powerlong Group date September 4, 2009, pursuant to which Xiamen Powerlong Group has granted to us an irrevocable and exclusive right to use the trademarks “**POWERLONG**” and “” in our property development business and our other ancillary businesses. As of the Latest Practicable Date, the trademark “”, which was originally registered by Xiamen Powerlong Group in Hong Kong, has been transferred to us. In addition, as of the Latest Practicable Date, Xiamen Powerlong Group has also transferred its application rights to the trademarks “”, “”, “**宝龙·城市广场**” and “” to us, and we had applied for the registration of the trademarks “”, “”, “**宝龙·城市广场**” and “” with the Trademark Office of the State Administration for Industry and Commerce of the PRC. Our Directors are of the view that we did not suffer any infringement of our intellectual property rights by any third parties during the Track Record Period and we confirm that we did not violate any intellectual property rights of third parties during the Track Record Period.

INSURANCE

We carry employer’s liability insurance for medical and related expenses that our employees may incur as a result of personal injuries at our workplaces or on construction sites of our property developments. We currently have all-risk insurance with respect to our

BUSINESS

investment properties and completed properties held for sale in Fuzhou Powerlong City Plaza covering all losses or damage we suffer, other than certain types of losses and damage that are currently uninsurable in China, such as losses arising from earthquake, war, civil disorder and certain other events of force majeure. As of June 30, 2009, our other completed project, Zhengzhou Powerlong City Plaza, was covered by third-party liability insurance and all-risk insurance for construction work.

In respect of our properties under development over which our lending banks have security interests, we obtained insurance coverage in accordance with the requirements of the loan documents. As of June 30, 2009, pursuant to the terms and conditions of the relevant bank financing arrangements, we had purchased the following insurance policies for various property projects under development: (i) all-risk insurance for Qingdao Powerlong City Plaza; (ii) primary property insurance for Wuxi Powerlong City Plaza; (iii) third-party liability insurance for Suzhou Taicang Powerlong City Plaza; and (iv) all-risk insurance for the construction work of Suzhou Taicang Powerlong City Plaza, Wuxi Powerlong City Plaza and Wuxi Yuqi Powerlong Riverside Garden. We do not maintain property or third-party liability insurance in respect of our other properties under development.

In accordance with the typical contractual terms we enter into, construction companies are responsible for quality and safety controls during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to follow during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. In addition to requiring the construction workers to follow our standards and specifications, we also take other precautionary measures such as erecting temporary protection walls around the work site to prevent unauthorized access, ensuring stairwells and lift wells are secured, conducting regular safety checks on cranes and lifts and erecting warning signs near hazardous areas. Since we have taken a number of reasonable steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us. We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. We may re-evaluate the risk profile of the property markets and adjust our insurance practice from time to time.

See the section entitled “Risk Factor — Risks Relating to Our Business — We have limited insurance to cover our potential losses and claims” in this document.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental and safety laws and regulations promulgated by both the central and local governments. The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law 《中華人民共和國環境保護法》, the Prevention and Control of Noise Pollution Law 《中華人民共和國環境噪聲污染防治法》, the Environmental Impact Assessment Law 《中華人民共和國環境影響評價法》 and the Administrative Regulations on Environmental Protection for Development Projects 《建設項目環境保護管理條例》. Pursuant to those laws and regulations, an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction, and each project developed by a property

BUSINESS

developer is required to undergo an environmental assessment. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Although property development is generally regarded as low polluting, during the course of construction of a project, there may be an increased amount of dust around the site, increased noise pollution, and increased waste water and solid construction waste. In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking action to dispose of waste, to keep dust levels low and to control noise pollution.

We endeavor to ensure that we comply with relevant PRC laws and regulations on environmental protection and safety by engaging construction contractors with good environmental protection and safety track records. When entering into construction contracts with them, we request that they strictly comply with all current PRC environmental protection and safety laws and regulations including using construction materials and employing construction methods that meet the requirements of such laws and regulations. We also request the construction contractors to be responsible for the final clean up of the construction site and to take steps to minimize adverse environmental impact during construction, such as erecting a fence around the construction site, limiting work hours for noisy construction activities and managing the quality of residual soil. In addition, we closely monitor the project at every stage to ensure the construction process is in compliance with the environmental protection and safety laws and regulations and require the construction contractors to immediately remedy any default or non-compliance. Our environmental protection measures are in line with industry practice and we have not adopted any additional environmental protection measures.

In addition, in accordance with PRC environmental laws and regulations, if a construction project includes environmental facilities (including projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Our business is of such a nature that we are not required to construct environmental facilities and therefore no approval in respect of environmental facilities from the environmental authorities is necessary.

All of our completed property projects and properties under construction have received the requisite environmental approvals. Upon completion of each property project, the relevant PRC government authorities will also inspect the property site to ensure that we have complied with the applicable environmental and safety standards. Inspection of each completed property project carried out by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition. During the Track Record Period, we did not experience any material environmental pollution incident and there was no penalty imposed on us for violation of environmental laws and regulations. Our PRC legal counsel, Jingtian & Gongcheng, has also confirmed this finding after their due diligence. We believe we are in compliance with PRC safety regulations and that we did not have a record of any non-compliance during the Track Record Period. Please also see the section entitled “Risk Factors — Risks Relating to the Property Development Industry in China — Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability.”

We cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that we may develop in the future. We intend to prevent any potential future environmental risks by continuing to comply

BUSINESS

with relevant PRC environmental laws and regulations, engaging only reputable construction contractors with good environmental protection and safety track records and requiring the construction contractors to strictly comply with relevant laws and regulations in materials procurement and property construction. We will also continue to educate our employees in relation to the importance of environmental protection and keep abreast of developments in PRC environmental protection laws and regulations through regular dialogue with the relevant local PRC authorities.

LABOR, HEALTH AND SAFETY MATTERS

In respect of social responsibilities, in particular, labor, health and safety insurance, pursuant to the regulations of the Labor Contract Law of the People’s Republic of China 《中華人民共和國勞動合同法》 and its implementation regulations, the Labor Law of the People’s Republic of China 《中華人民共和國勞動法》 and Opinions on Several Questions concerning the implementation of the Labor Law of the People’s Republic of China 《關於貫徹執行〈中華人民共和國勞動法〉若干問題的意見》, an enterprise is required to execute an employment contract with each employee according to law and shall not rescind the employment contract without cause. Employees are entitled to have rest and annual leave according to the laws and provisions stipulated in an employment contract. An enterprise is required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as any protective equipment if necessary. Pursuant to the regulations of the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees 《國務院關於建立城鎮職工基本醫療保險制度的決定》, Decision of the State Council on Establishing a Uniform Basic Endowment Insurance System for Enterprise Employees 《國務院管理建立統一的企業職工基本養老保險制度的決定》, the Provisional Insurance Measures for Maternity of Enterprise Employees 《企業職工生育保險試行辦法》, Regulations on the Management of Housing Provident Fund 《住房公基金條例》, Regulations on Unemployment Insurance 《失業保險條例》 and Regulations on Industrial Injury Insurance 《工傷保險條例》, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, and personal injury insurance for its staff and pay the relevant insurance premiums according to law.

During the Track Record Period, there was no material violation of currently applicable PRC labor, health and safety regulations, nor were there any material employee safety issues involving us. We intend to fully comply with the new PRC labor contract laws and do not expect such compliance to affect our business operations in any material respect. We believe that by protecting the interests of our employees, we are able to enhance employee morale and long-term retention of quality personnel.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and housing provident fund. Our human resources department personnel look after our labor, health and safety issues. They generally have sound knowledge of administration and human resources issues. They work together with our legal department to better understand the latest legal developments in this area and to ensure that we are in compliance with the relevant requirements.

BUSINESS

In relation to workplace safety around construction sites, we, as a property developer, have limited potential liabilities to the workers on our construction sites, most of which rest with the construction contractors. When entering into contracts with contractors, we require them to purchase accident insurance according to applicable laws and regulations to cover their workers and adopt effective occupational safety control measures, such as providing workers with necessary protective equipment and offering them regular medical examinations and workplace safety training.

COMPLIANCE WITH RELEVANT PRC REGULATIONS AND REQUIREMENTS

For the duration of the Track Record Period and as of the Latest Practicable Date, we were in compliance in all material respects with relevant PRC legal regulations and requirements relating to the PRC property sector, including those which mandate the possession of valid business licenses and the relevant qualification certificates, such as real estate developer qualification certificates and property management enterprise certificates. In addition, as of the Latest Practicable Date, we had passed the annual renewal process and no penalty had been imposed on us. With the exception of Quanzhou Baohua and Jinjiang Changyuan, all our project companies have obtained the relevant qualification certificates to develop properties. As Quanzhou Baohua and Jinjiang Changyuan are not currently developing any property projects, we have not applied to renew their qualification certificates. We will apply for a qualification certificate for Quanzhou Baohua and Jinjiang Changyuan if they undertake property development again in the future. In addition, as of the Latest Practicable Date, we were in the process of applying for the relevant property development and property management qualification certificates with respect to a number of our subsidiaries (three property development companies and two property management companies) established after June 2007.

During the Track Record Period, we were never denied renewal of any of our qualification certificates or subjected to penalty for failure to comply with the relevant licensing requirements. We are currently in the process of applying to renew the property development qualification certificate of Wuxi Yuqi and Suqian Powerlong. We intend to ensure our ongoing compliance with the requirements of the requisite approvals, permits, licenses and certificates by requiring all our operating divisions and project companies to strictly adhere to the relevant conditions imposed by government authorities. Our legal division will also regularly review all our approvals, permits, licenses and certificates to ensure that our operations satisfy the prevailing requirements.

As of the Latest Practicable Date, some of the investment properties we had leased out to third parties in Fuzhou Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza had not been registered with the relevant local real estate administration bureaus. As we are currently in the process of applying for the property ownership certificates, we could not register the leases. Our PRC legal counsel, Jingtian & Gongcheng, has confirmed that the requirement for the leases to be registered is an administrative measure. Non-registration may result in us being liable for an administrative penalty, but does not affect our ability to enter into binding lease agreements with tenants nor the validity of the resulting leases. We expect to obtain all the relevant property ownership certificates by June 2010, at which time we intend to apply for the registration of all our leases.

BUSINESS

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

During the Track Record Period, we were involved in legal or other disputes in the ordinary course of our business, primarily claims relating to our guarantees for mortgage loans provided to purchasers of our properties and contract disputes with purchasers and tenants of our properties. However, we are not implicated in any outstanding material legal proceedings or claims currently existing or pending against us and are not aware of any such threatened claims. Our Directors confirm that we have no material claims outstanding with regard to guarantees for mortgage loans provided to purchasers and contract disputes with purchasers and tenants of our properties.

As of the Latest Practicable Date, we had not encountered any circumstances that have led to material construction delays or received any material claims from our customers for our failure to complete any pre-sold project on time, or received any material claims from our customers for our delay in the delivery of property ownership certificates.

We were not subject to any penalty and/or land idle fee imposed by the PRC government for our failure to develop a property project on a timely basis in accordance with the relevant land grant contracts during the Track Record Period. As of the Latest Practicable Date, we did not have any land which was subject to reclamation by the PRC government and we had not been subject to any idle land penalty.

IMPACT OF THE RECENT GLOBAL FINANCIAL CRISIS

The recent global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The slowdown of the worldwide economy, including that of China, has caused a rapid slide in property prices. The market volatility and uncertainty caused by the global financial crisis have also contributed to a lower demand for our properties and a decline in their selling prices. The global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a further decrease in the general demand for our products, an erosion of their selling prices and a decrease in our gross profit margin.

The negative impact of the recent global economic slowdown has contributed to the deterioration of our results of operations and financial position in 2008. For example:

- the lack of liquidity in the global financial markets has negatively impacted our liquidity and our ability to obtain additional financing for property development, which in turn adversely impacted our property construction schedules;
- the delays in our property construction schedules have resulted in fewer completed properties being delivered in 2008 than we originally planned, which adversely affected our results of operations; and
- the uncertain economic outlook has contributed to a lower demand for our properties and a drop in our pre-sale volume, as well as a decline in the average selling prices of our residential properties in most of our properties under development, particularly Suzhou Taicang Powerlong City Plaza, Tai'an Powerlong City Plaza and Bengbu Powerlong City Plaza.

BUSINESS

As a result, we scaled back our original property development and business expansion plans, postponed the completion schedules of most of our properties, as well as reduced our investment property portfolio to mitigate the impact of the global economic downturn on our industry. For example, we slowed down the property completion and delivery schedules of all our properties under development by six to 12 months, or even longer for certain phases of our projects. In addition, we sold a portion of our investment properties which we originally intended to hold for long term investment to generate additional cash flow and ensure sufficient liquidity during the economic downturn.

The changes in our property development plans have led to a delay in the payment of land premium in respect of certain of our projects. As of June 30, 2009, we had overdue land premium with respect to Luoyang Powerlong City Plaza, Xinxiang Project, Licang Project, Yancheng Project and Yantai Project amounting to Rmb 44.8 million, Rmb 133.3 million, Rmb 110.6 million, Rmb 256.6 million and Rmb 45.0 million, respectively, which we had not paid in accordance with the underlying land grant contracts. The total site area with respect to which we had not paid the overdue land premium was 605,793 square meters, or 18.3%, of the total site area of our property projects under development and held for future development as of June 30, 2009.

In August and September 2009, we entered into supplemental agreements with the respective local land resources bureaus of the cities in which these projects are located, under which the parties agreed to extend the payment dates for the overdue land premium. We are not subject to any penalty for late payment of land premium under the supplemental agreements that would have a material adverse impact on our business operations or financial position. According to the new payment schedule for Luoyang Powerlong City Plaza, the overdue land premium will be settled in two installments by October 2009. As of the Latest Practicable Date, we had paid Rmb 22.0 million of land premium and still had unpaid land premium of Rmb 22.8 million in respect of this project. According to the new payment schedule for Yantai Project, the overdue land premium will be settled in two installments by the end of 2009. As of the Latest Practicable Date, we had paid Rmb 5.0 million of land premium and still had unpaid land premium of Rmb 40.0 million in respect of this project. According to the new payment schedule for Xinxiang Project, the overdue land premium is expected to be fully settled by December 15, 2009. According to the new payment schedules for the other two projects, the overdue land premium is expected to be fully settled by the end of 2009. We intend to finance these payments using a combination of our internal resources and bank borrowings. Please also see the section entitled "Risk Factors — Risk Relating to Our Businesses — The PRC government may impose fines or other penalties on us or if we fail to comply with the terms of the land grant contracts" in this document. Other than the projects discussed above, we had paid all the outstanding land premium in relation to our property projects as of the Latest Practicable Date.

As a result of the postponement of delivery of completed properties, we became liable to approximately Rmb 3.3 million and Rmb 11.3 million in late delivery penalty for the year ended December 31, 2008 and the period from January 1, 2009 to the Latest Practicable Date, respectively, under the underlying sale and purchase agreements. As of the Latest Practicable Date, approximately Rmb 7.3 million of the total amount of penalties incurred since the beginning of 2008 had been paid to our customers (including the full settlement of the amount incurred in 2008). The sale and purchase agreements we enter into with our customers typically do not allow them to rescind the sale and purchase agreements as a result of late delivery of properties. Other than the late delivery penalty, we did not suffer other legal consequences which resulted in a material adverse impact on our results of operations or financial position. In line with industry practice in the PRC, we intend to pay the remaining amount of the late delivery

BUSINESS

penalty progressively as we complete and deliver properties to our customers, in accordance with our completion schedule. As some of the properties with respect to which we are liable to pay the late delivery penalty will not be completed and delivered until 2010, we expect to fully settle the penalty payment by May 2010.

ACQUISITION OF PROPERTIES IN MINGFA CENTRE

Mingfa Centre is a large-scale commercial complex with a total GFA of approximately 400,000 square meters located in the city center of Xiamen. It was a co-development between the Parent Group and Mingfa Group Company Limited (明發集團有限公司) (“Mingfa Group”), an independent third party. Under the co-development arrangement, the Parent Group is entitled to 30% of the investment return of the project while the Mingfa Group controls the development of the project and enjoys 70% of the investment return. Construction of the project commenced in June 2003 and was completed in February 2007. Since completion of construction, approximately 77% of the 240,000 square meters of GFA available for sale has been sold and approximately 160,000 square meters of GFA has been retained as investment property and was leased out. Under the arrangement between the Parent Company and the Mingfa Group, a total GFA of 58,265 square meters of retail space has been allocated to the Parent Group as part of the return on their investment. As of June 30, 2009, we had signed lease agreements for approximately 88% of the total GFA allocated to the Parent Group.

In order to reduce competition with the Parent Group, we acquired from the Parent Group an aggregate of 58,265 square meters of retail GFA at the Mingfa Centre in December 2008. According to independent property valuations, the fair market value of the retail GFA we acquired was approximately Rmb 717.7 million. However, the consideration for the acquisition was Rmb 600.0 million, which was determined after arm’s length negotiations between us and the Parent Group and taking into account the prepayments of the purchase price we made to the Parent Group. As of June 30, 2009, we had fully settled the consideration for the acquisition using our internal resources. Completion of the acquisition is expected to take place on December 31, 2009. Upon completion of the transfer, the Parent Group will no longer be involved in any property development business. Should completion fail to take place on December 31, 2009 or such other date as may be agreed by us, we have the right to terminate the acquisition and the Parent Group shall, upon such termination, promptly refund the consideration already received. In the event that completion of the acquisition of the Parent Group’s interest in the properties allocated to it in Mingfa Centre (the “Mingfa Interest”) fails to take place on December 31, 2009 or such other date as may be agreed by us, the Parent Group has undertaken to grant to us an option to acquire the Mingfa Interest for consideration to be determined with reference to the valuation of the Mingfa Interest to be made by an independent valuer.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders own a number of other companies, including Macau Powerlong Group, Xiamen Powerlong Group and Macau Changyuan. The Parent Group carries out various lines of businesses, which can be classified into two categories: (i) businesses which do not compete, directly or indirectly, with our business (the “Remaining Business”); and (ii) hotel operation business (the “Hotel Operation”) (collectively, the Remaining Business together with the Hotel Operation, the “Retained Business”). The Remaining Business consists of businesses that are not related to the property development industry, including distribution of office automation equipment, manufacture and development of lithium batteries, department store operation, retail fashion, management of tourist attractions and food court operation.

As of June 30, 2009, the Parent Group had approximately 1,360 full-time employees. Except for Hoi Kin Hong and Hoi Wa Fong, none of our executive Directors assume any directorship or management roles in the Parent Group. Our Directors are of the view that our Directors and senior management are able to function independently of the Controlling Shareholders and their associates.

Delineation of Businesses

Our Directors are of the view that there is a clear delineation between the Retained Business and our business, as a result of which, none of the Retained Business would compete, or is expected to compete, directly or indirectly, with our core business of property development. None of the Parent Group, any of its subsidiaries or any of the other entities controlled by our Controlling Shareholders is engaged in any commercial property development business that competes or may compete with us.

The Retained Business was not injected into our Group as part of the Reorganization, nor was such business acquired by us after the Reorganization, as our Directors are of the view that such business, neither forms part of our core business nor is in line with our overall strategy to maintain and further strengthen our market position as a leading commercial property developer. Our Directors believe that each of the Retained Business can be clearly differentiated from our business for the following reasons.

(A) Hotel operation

The Parent Group is engaged in hotel operation business, which is ancillary to our core business, namely, commercial property development and operation. As such, when deciding whether to engage in any hotel operation business, our Directors will take into account various factors including whether such hotel operation business is located within our Powerlong City Plazas and whether it is able to help boost the customer traffic to our commercial properties, promote our brand image and attract reputable and reliable commercial tenants. In certain circumstances, we also take into consideration town planning requirements as part of our co-operation with local governments. In accordance with such selection criteria which forms part of our business model and overall strategy, we have included hotels in three of our existing property development projects, namely, Suzhou Taicang Powerlong City Plaza, Qingdao Powerlong City Plaza and Tai'an Powerlong City Plaza. As these hotels form an integral part of the commercial complexes and we believe they help to maintain the overall image and positioning of the commercial complexes attached to these hotels, we do not intend to sell or lease out these hotels. Instead, we have engaged professional hotel management companies to operate them.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Parent Group currently operates two five-star hotels, namely, Xiamen Powerlong Hotel (廈門寶龍大酒店) (“Xiamen Hotel”) and Jinjiang Powerlong Hotel (晉江寶龍大酒店) (“Jinjiang Hotel”) (collectively, the “Two Hotels”) in Xiamen and Jinjiang, Fujian Province, respectively. Each of Xiamen Hotel and Jinjiang Hotel has its own management teams and does not share any management personnel with us. Xiamen Hotel commenced its operation in 2001 and has approximately 189 rooms. Jinjiang Hotel commenced its operation in 2005 and has approximately 338 rooms. The revenue of the Xiamen Hotel for the three years ended December 31, 2006, 2007 and 2008 were approximately Rmb 64.9 million, Rmb 64.2 million and Rmb 62.9 million. The Xiamen Hotel made a loss of Rmb 10.2 million and Rmb 4.5 million for the years ended December 31, 2006 and 2007, respectively. For the year ended December 31, 2008, Xiamen Hotel made a profit of Rmb 1.4 million. The revenue and loss of the Jinjiang Hotel for the three years ended December 31, 2006, 2007 and 2008 were approximately Rmb 49.9 million, Rmb 57.1 million and Rmb 59.0 million, and Rmb 15.8 million, Rmb 8.0 million and Rmb 1.0 million, respectively. The operation of the Two Hotels is distinct from our business model and not in line with our development strategies as stated above, as each of the hotels included in our development projects is developed as a part of the large-scale and multi-functional quality commercial complexes, while the Two Hotels are stand-alone hotels. We consider that there will be no actual or potential competition between the Two Hotels and the hotels to be included in our development projects. Notwithstanding the differences as described above, pursuant to the Deed of Non-competition, we have been granted an option to acquire each of the Two Hotels if and when we choose.

(B) *Leasing operation*

We are principally engaged in the business of property development and our leasing operation is limited to the leasing of commercial properties developed by us and retained for long term investment purposes.

Our rental properties are primarily retail and catering spaces and are leased out to retail outlets, entertainment and food and beverages operators. We are usually able to enjoy a higher rate of return on the rental income of commercial properties developed by us than those which we acquired in the open market for rental purpose.

One of our subsidiaries, Fuzhou Powerlong, is currently leasing the third floor of Powerlong Center in Xiamen, for office use, from Xiamen Powerlong Information, a 51% owned subsidiary of Xiamen Powerlong Group. The property is the only property owned by the Controlling Shareholders at Powerlong Center and is held for investment. Details of the lease is set out in “Connected Transactions — Continuing connected transactions which are exempt from the reporting, announcement and independent shareholders’ approval requirements — First Office Lease Agreement of Fuzhou Powerlong.”

Powerlong Center is a commercial-residential development which is different from the properties that are the focus of our leasing operation. In addition, we have no leasing operation in Xiamen and have not acquired any property for the sole purpose of leasing them out. Therefore, we believe that our leasing operation is different from that of the leasing operation of the Controlling Shareholders at Powerlong Center, which is a property that has been acquired solely for the purpose of leasing out.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, we also do not believe that our indoor amusement park developments would be in competition with that of the amusement park operation of the Parent Group, as we are only involved in the leasing of properties to amusement park operators whereas subsidiaries of the Parent Group are operators of amusement park facilities.

Directors

Except for Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan, who hold directorships in the Two Hotels but are not involved in the day-to-day management of these hotels, none of our other Directors is a director or a substantial shareholder of any business, which competes or is likely to compete, either directly or indirectly, with our business.

Our Directors, Hoi Wa Fong, Shih Sze Ni and Hoi Wa Fan, purchased commercial units in Fuzhou Powerlong City Plaza with an aggregate site area of approximately 492 square meters at market value in 2006 and 2007 for investment purposes. They have no intention to undertake any commercial property leasing business, which directly or indirectly competes with us. These properties are the only properties held by Hoi Wa Fong, Shih Sze Ni and Hoi Wa Fan and they have all been leased to other independent tenants for commercial purposes. Hoi Wa Fong, Shih Sze Ni and Hoi Wa Fan have undertaken to us that they will not acquire properties for commercial leasing purposes in the future. They have also undertaken to us that in the event that we are offering comparable commercial units for lease to tenants on terms similar to those offered by them, they will offer the first right of leasing of the properties to us.

Deed of Non-competition

Our Controlling Shareholders have undertaken to us in the Deed of Non-competition that (i) we have the first right of refusal to acquire the Parent Group's interests in (a) the Two Hotels, should they decide to dispose of such intents in future, and (b) the Mingfa Interest, in the event that completion of the acquisition of the Mingfa Interest fails to take place on December 31, 2009 or such other date as may be agreed by us; and (ii) subject to the terms of the Deed of Non-competition they will not, and shall procure their controlled affiliates (other than members of our Company) not to, engage in any property development and hotel operation businesses in China including (without limitation) the following activities:

- (i) acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, land, real estate properties or property-related investments (except for the properties occupied and used by the Controlling Shareholders for the purpose of their business operations);
- (ii) engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in land or real estate properties (except for the properties occupied and used by the Controlling Shareholders for the purpose of their business operations);
- (iii) acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in paragraphs (i) and (ii) above;
- (iv) acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in paragraphs (i) to (iii) above; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, hotels or hotel-related investments,

provided that, subject to the option granted by the Controlling Shareholders to us to acquire any of their business, the Parent Group may continue with the operation of the Two Hotels, and except for acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company (whose shares are listed on the Stock Exchange or any other stock exchange), with any interest in the matters set out in paragraphs (i) to (iv) above so long as (a) their aggregate interest in such company is less than 5%; and (b) they are not controlling more than 10% of the composition of the board of directors of such company.

Pursuant to the Deed of Non-competition, the Controlling Shareholders granted an option (the “Option”) to us to acquire the Mingfa Interest and the Two Hotels in accordance with (a) commercial terms which shall have been opined upon by our independent non-executive Directors based on advice from an independent financial advisor as being, inter alia, normal commercial terms, in the ordinary course of our business, fair and reasonable and in the interests of our Company as a whole; and (b) any procedural requirements of the Listing Rules which may be required in relation to any such acquisition. The Option allows us to acquire the attributable interests of the Controlling Shareholders, or any part thereof, in such companies or projects at their fair market values, provided that consent from third party for such transfer is obtained, if applicable. If the parties to the Deed of Non-competition fail to agree on the acquisition price, the valuation of such projects or companies and the price shall be determined by an independent qualified valuer. The Option is independent and in addition to the right of first refusal to acquire the Controlling Shareholders’ interests in the Mingfa Interest and the Two Hotels granted under the Deed of Non-Competition.

In considering whether to exercise the Option, our independent non-executive Directors will take into account ordinary commercial considerations such as the business and financial condition, management efficiency, operational results, level of profitability of the Two Hotels (as the case may be), our then development strategy, and whether the terms of the acquisitions are fair and reasonable and on normal commercial terms with reference to the then prevailing market prices of the Mingfa Interest and the Two Hotels (as the case may be). We consider that it is not practicable to pre-determine at this stage the precise benchmarks on which the Options will be exercised. In view of our robust corporate governance measures, the decision as to whether we should exercise the Options will be made by our independent non-executive Directors who will act in the best interests of our Company and our shareholders as a whole at the relevant time with reference to the then prevailing circumstances. The review and exercise of the Options would be in accordance with the decision-making process and corporate governance measures set out in “— Relationship with Our Controlling Shareholders — Deed of Non-competition” and “— Relationship with Our Controlling Shareholders — Corporate Governance Measures” in this section.

The exercise of any of the Options under the Deed of Non-competition will constitute a connected transaction for us, and we will comply with the procedures set out in Chapter 14A of the Listing Rules in respect of connected transactions, including independent shareholders’ approval if required. Any decision relating to the exercise of the Option under the Deed of Non-competition will be made by our independent non-executive Directors.

Further, pursuant to the Deed of Non-competition, the Parent Group will not conduct any property development and hotel operation except for the management of the Two Hotels. If any future business opportunity involving business which may compete with our principal business is

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

made available to the Parent Group, any of our Controlling Shareholders or their affiliates, the Parent Group shall promptly refer such business opportunity to us. We have a right within three months thereafter to request the Parent Group to allow us to take up such business opportunity and in the event that we decide to take up the opportunity, the Parent Group will use its best endeavor to assist us to obtain the opportunity. The Parent Group shall provide the details of any such business opportunity to the Board in writing within seven days after the Parent Group becomes aware of such business opportunity and the Controlling Shareholders shall procure that such details be provided to our independent non-executive Directors within three business days from the date of receipt of such information. When considering whether or not to take up a new business opportunity, our independent non-executive Directors will take into account the written proposal prepared by our management regarding such business opportunity and consider whether the relevant business opportunity is expected to present a sustainable level of profitability, accord with our then development strategy, and whether the terms of the new business opportunity are fair and reasonable and on normal commercial terms with reference to the then prevailing market prices of such business opportunity. Our independent non-executive Directors may from time to time commission the assistance of external professional advisors (including an independent financial advisor) at the cost of our Company as they consider necessary or desirable to advise them regarding the terms of any such new business opportunity or any such other matter. The Parent Group agrees to provide all information reasonably required by our independent non-executive Directors and/or independent financial advisor to assist them in their assessment of the new business opportunity.

The decision-making process regarding the Deed of Non-competition will be monitored as follows:

- our independent non-executive Directors will be responsible for deciding, without attendance by any other executive Directors or non-executive Director (except as invited by our independent non-executive Directors to assist them), whether or not to exercise the Option or to accept a new business opportunity referred to us by the Parent Group or any other matter arising under the terms of the Deed of Non-competition from time to time;
- our independent non-executive Directors will review the compliance and enforcement of the Deed of Non-competition by the Parent Group from time to time as required and on a quarterly basis; and
- our independent non-executive Directors will review, on an annual basis, any decision in relation to the new business opportunity referred to us by the Parent Group or the exercise of the Option, and state their decision with basis in relation to the new business opportunity and the exercise of the Option in our annual report and/or by announcement to the public.

The Parent Group shall not pursue any business opportunity involving business which may compete with our principal business unless and until our independent non-executive Directors (a) resolve that we do not intend to take up such business opportunity; or (b) do not resolve whether or not to pursue such business opportunity within three months after the Parent Group notifies us in writing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our independent non-executive Directors will also review, at least on annual basis, the options, pre-emptive rights or first rights of refusal, if any, provided by our Controlling Shareholders on its existing or future competing businesses and decide whether to exercise these rights.

In addition, to ensure our independent non-executive Directors are able to conduct the above decision-making process, each of our Controlling Shareholders has undertaken in the Deed of Non-competition to provide and to procure the provision to us of all information necessary for the enforcement of the undertakings contained therein. Each of our Controlling Shareholders has further undertaken to make a statement in our annual report confirming their compliance and that of their respective affiliates with the terms of the Deed of Non-competition. We will disclose in our annual report on how the undertakings in the Deed of Non-competition were complied with and enforced in accordance with the principles of making voluntary disclosures in the Corporate Governance Report as defined in Appendix 23 of the Listing Rules.

Corporate Governance Measures

We may, as needed, enter into connected transactions with our Controlling Shareholders and their affiliates. Our Controlling Shareholders, Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan, are also our Directors and may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that he or she fully comprehends his or her obligations to act in our shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interests, we have implemented the following measures:

- We have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting.
- A Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters involving the Parent Group (including the Retained Business) and our Group and/or matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors.
- We are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, two of whom have experience as a director of listed companies (namely, Ngai Wai Fung and Nie Mei Sheng) and one of whom has expertise in the property sector (namely, Mei Jian Ping). We believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

shareholders. Details of our independent non-executive Directors are set out in the section entitled “Directors, Senior Management and Employees — Directors and Senior Management — Directors — Independent non-executive Directors.”

- We have appointed WAG Worldsec Corporate Finance Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.
- As required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than available to or from independent third parties and on terms that are fair and reasonable and in the interests of our shareholders as a whole.
- On an annual basis, our independent non-executive Directors will review the non-competition undertakings provided by the Covenanters and their compliance with such undertakings, including those in relation to the Mingfa Interest and the Two Hotels, on an annual basis.

In addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our Company to advise them on matters relating to the Deed of Non-competition or on any business opportunities which may be referred to us by the Controlling Shareholders, details of which are set out in “— Relationship with Our Controlling Shareholders — Deed of Non-competition” above in this section.

We have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that a Director shall not attend a Board meeting if such Director or his or her associates has material interest in the matter which is subject of the resolution to be proposed at the meeting for the Board to consider and vote upon.

Independence from the Controlling Shareholders

(A) *Management independence*

Our Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Other than Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan, none of our other Directors holds any directorship or senior management role in the Retained Business. Both Hoi Kin Hong and Hoi Wa Fong assume non-executive directorships with the Retained Business. Hoi Kin Hong assumes non-executive directorships with the Retained Business because he is exercising his rights as the shareholder. As part of the family arrangement and a successor of Hoi Kin Hong of the Retained Business, Hoi Wa Fong assumes non-executive directorship with the Retained Business for the purpose of looking after the interests of his family members. The main roles of Hoi Kin Hong and Hoi Wa Fong are to oversee the strategic and operational decisions of our businesses. Hoi Wa Fan is our non-executive Director with no executive function in our Group but she assumes an executive role in the Retained Business. Hoi Wa Fan will not be involved in the day-to-day management or affairs and operations of our businesses, and she is expected to maintain only an advisory role with us.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In the event that Hoi Wa Fan is required to absent herself from any board meeting on any matter which may give rise to a potential conflict of interest with the Parent Group, the remaining Directors will have sufficient expertise and experience to fully consider any such matter.

It is expected that Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan will spend not less than 90%, 95% and 20%, respectively, of their working time in the operation of our Group, and not more than 10%, 5% and 80%, respectively, of their working time in the operation of the Parent Group. Notwithstanding the directorships of Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan in the Retained Business, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Retained Business for the following reasons:

- (a) each of Hoi Kin Hong and Hoi Wa Fong confirms and undertakes that, so long as he remains as an executive Director of the Company, all positions held by him with the Parent Group are, and will continue to be, of a non-executive nature. In addition, each other Director confirms that, as of the date of this document, he or she does not hold any directorship or senior management position with the Parent Group, and further undertakes that, so long as he or she remains as an executive Director of our Company, he or she will not accept any executive directorship or senior management position with the Parent Group or any other entity save for entities within our Group;
- (b) none of our Retained Business competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts of interest, therefore, the dual roles assumed by Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan in most cases will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (c) we have three independent non-executive Directors, and certain matters of the Company, including connected transactions, options and other matters referred to in the Deed of Non-competition, details of which are set out in the paragraph entitled “— Deed of Non-competition”, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Retained Business;
- (d) in an event of conflict of interests, the relevant Director(s), including Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence the relevant Directors would be unable to influence the Board from making decisions on the matters in which he or she is, or may be, interested. We believe all of our Directors, including the three independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. Please refer to the section entitled “Directors, Senior Management and Employees — Directors and Senior Management — Directors” for a summary of the relevant experiences and qualifications of our Directors; and
- (e) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position within the Retained Business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(B) *Operational independence*

We are independent from our Controlling Shareholders as we do not share operational or production capabilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operation capacity in term of capital and employees to operate independently from the Parent Group.

Although we entered into certain transactions such as lease of office premises and license of trademarks “**POWERLONG**” and “” (the “Trademarks”) with the Parent Group, details of which are set out in the section entitled “Connected Transactions,” we do not share office premises or facilities with the Parent Group. For office premises, we believe they can be easily replaced by other comparable alternative premises with affordable rentals without causing any material disruption to our operations should we decide to relocate. In respect of the Trademarks, Xiamen Powerlong Group has agreed to enter into the transfer agreement in respect of the transfer of the Trademarks to us before March 31, 2010. Our Company would need to apply for the registration of the transfer of the Trademarks with the relevant trademark registration authorities in the PRC and upon the completion of such transfer, there will be no trademarks license agreement with the Parent Group. More importantly, all such continuing connected transactions with the Parent Group have been entered into and will continue to be entered into on normal commercial terms in the ordinary course of business. As such, our Directors confirm that we are able to operate independently despite the existence of such transactions and can carry on our business independently of our Controlling Shareholders and their associates.

(C) *Financial independence*

We believe that we are able to maintain financial independence from our Controlling Shareholders and their associates.

In addition, we have an independent financial system and finance team which is responsible for our own treasury function, cash receipts and payments, and independent access to third party financing. We also have our own internal control and accounting systems, and accounting and finance department.

Based on the above, our Directors are of the view that our Directors and senior management are able to function independently of the Controlling Shareholders and their associates.

CONNECTED TRANSACTIONS

We have entered into a number of agreements with our Parent Group and certain of our and their respective associates. As they will constitute connected persons of our Company under the Listing Rules, the transactions under these agreements will constitute continuing connected transactions for our Company under the Listing Rules.

(A) Continuing connected transactions which are exempt from the reporting, announcement and independent shareholders' approval requirements

(1) Trademark licenses

Xiamen Powerlong Group, which is principally engaged in investment holding, is the registered owner of the Trademarks in China. Our Company and Xiamen Powerlong Group have entered into a trademarks license agreement (the "Trademarks License Agreement") dated September 4, 2009, pursuant to which Xiamen Powerlong Group granted us an irrevocable and exclusive right to use the Trademarks in our property development business and our other ancillary businesses.

Pursuant to the Trademarks License Agreement, except for the Two Hotels, where Xiamen Powerlong Group allowed the Two Hotels to use the Trademarks in respect of their hotel operation, without our written consent, Xiamen Powerlong Group may not use and may not permit any person other than us to use the Trademarks in any property development business or our other ancillary businesses that competes or may compete with us in China. In addition, Xiamen Powerlong Group shall not register or use or permit any person other than us to register or use trademarks similar to the Trademarks in any property development business that competes or may compete with us in China. The Trademarks have been licensed to us on a royalty-free basis within the valid registration period of such Trademarks, including extensions from time to time of such registration of the Trademarks upon their expiration. Xiamen Powerlong Group has also agreed to be responsible for any expenses for enforcement against any infringement of the licensed Trademarks by any third parties. The term of the Trademark License Agreement is 10 years and is subject to an automatic extension for a further 10 years if so requested by us one month before the expiry date. Xiamen Powerlong Group has undertaken to enter into an agreement with us to transfer the Trademarks to us before March 31, 2010. The reason for such delay in transferring the Trademarks to us is that the Parent Group has applied the registration of the Trademarks as a "China Famous Brand," which is a recognition of the brand's quality in products and services. As the assignment of the Trademarks while the application is still in progress would involve the re-filing of the application package and result in undue administrative delay, the Directors believe that it would be more appropriate to transfer the Trademarks to us. Pursuant to the Trademark License Agreement, save for the Two Hotels of the Xiamen Powerlong Group, only we can use the Trademarks. Accordingly, the Retained Businesses, other than the Two Hotels, would need time to make arrangements to discontinue the use of the Trademarks. As it is reasonably expected that some of such Retained Businesses may not be able to completely discontinue their use of the Trademarks before [●], and that there are also regulatory procedures that need to be completed before the transfer can be effected, Xiamen Powerlong Group has agreed to transfer the Trademarks to our Company before March 31, 2010. The Company would need to apply for the registration of the transfer of the Trademarks with the Trademark office and as a gift, free of consideration. Upon completion of such transfer, the Trademark License Agreement will be terminated. It is expected that the Two Hotels would be allowed to use the Trademarks under license by our Company after completion of the transfer. Our

CONNECTED TRANSACTIONS

Directors confirm that, in the event that our Company wishes to let the Two Hotels continue to use the Trademarks, the relevant requirements under Chapter 14A of the Listing Rules will be fully complied with.

Xiamen Powerlong Group is 88.9% indirectly owned by Hoi Kin Hong and therefore is a connected person of our Company under the Listing Rules.

As the right to use the Trademarks is granted to us on a free-of-charge basis by Xiamen Powerlong Group, the transactions under the Trademark License Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

(2) *Purchase of office equipment from Xiamen Powerlong Information*

On September 4, 2009, Fuzhou Powerlong entered into an office equipment purchase agreement ("Equipment Purchase Agreement") with Xiamen Powerlong Information, a company principally engaged in the business of distribution of office equipment, software development and the manufacture and sale of consumables, pursuant to which Xiamen Powerlong Information has agreed to supply office equipment such as printers, photocopiers, computers and fax machines to us for a term of three years commencing from January 1, 2009.

We have been purchasing office equipment from Xiamen Powerlong Information throughout the Track Record Period. For each of the three years ended December 31, 2006, 2007 and 2008, office equipment we purchased from Xiamen Powerlong Information amounted to approximately Rmb 0.8 million, Rmb 0.7 million and Rmb 0.1 million, respectively.

Our Directors estimate that the maximum amount of our annual purchases of office equipment from Xiamen Powerlong Information will not exceed Rmb 1,000,000, for each of the three years ending December 31, 2009, 2010 and 2011, which represent approximately 0.12% of our total cost of sales for the financial year ended December 31, 2008. Such estimate is based on the historical amount of office equipment purchased and the expected growth in the number of property development projects in the future. As Xiamen Powerlong Information is a wholesaler of office equipment, we are generally able to purchase office equipment from it at a discount of approximately 10% compared to the retail market price. We believe that Xiamen Powerlong Information is able to provide office equipment to us efficiently at competitive prices, therefore we prefer to purchase office equipment from it. Our Directors consider that the Equipment Purchase Agreement was entered into on normal commercial terms and in the ordinary course of business.

Xiamen Powerlong Information is 51% owned by Xiamen Powerlong Group, which is in turn 88.9% indirectly owned by Hoi Kin Hong and is therefore a connected person of our Company under the Listing Rules.

Since each of the percentage ratios (other than the profit ratio) for the Equipment Purchase Agreement is less than 0.1%, the transactions under the Equipment Purchase Agreement constitute continuing connected transactions for our Company which are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

CONNECTED TRANSACTIONS

(B) Continuing connected transactions which are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements

(3) *Hotel accommodation services agreement with Macau Powerlong Group*

On September 4, 2009, our Company entered into a hotel accommodation services agreement (the "Hotel Services Agreement") with Macau Powerlong Group pursuant to which Macau Powerlong Group agreed to provide hotel accommodation services to our Group's employees and guests, who are primarily independent suppliers or services providers to our Company, representing approximately 1.1%, 1.3% and 2.2% of the aggregate income of the Two Hotels for each of the three years ended December 31, 2006, 2007 and 2008, at the Two Hotels for a term of three years commencing from January 1, 2009. Macau Powerlong Group carried out such hotel accommodation services during the ordinary course of business, charged a discount of 50% to the normal room service charges and offered terms no less favorable than those offered by independent third parties for comparable services to us. We enjoyed a discount of 50% to the normal room service charges, a discount rate no less favorable than those offered by Macau Powerlong Group to the other independent purchasers who enter into bulk purchase agreements with it. We may choose to engage other independent hotels to provide accommodation services if they offer more competitive rates to us.

We generally select one or two hotels in each of the cities that we conduct business to be our designated hotels for the provision of accommodation services to our employees. We select such hotels based on their locations, the level of services they provide and whether we would enjoy competitive rates. Upon such selection, we would enter into services agreements with such hotels whereupon our staff can utilize the services at such hotels at the rates that we have agreed with the hotel. For each of the three years ending December 31, 2009, 2010 and 2011, our budget for hotel expenses is Rmb 3.8 million, Rmb 4.2 million and Rmb 4.2 million, respectively.

For each of the three years ended December 31, 2006, 2007 and 2008, the hotel accommodation charges we paid to Macau Powerlong Group amounted to approximately Rmb 1.3 million, Rmb 1.6 million and Rmb 2.8 million, respectively, representing approximately 1.7%, 1.5% and 1.4% of our total administrative expenses and selling and marketing costs for each of the three years ended December 31, 2006, 2007 and 2008. The increase in our utilization of the hotel accommodation services during the three years ended December 31, 2006, 2007 and 2008 was primarily due to our expansion to areas outside Xiamen, which called for more of our executives and employees not ordinarily based in Xiamen to travel to Xiamen for business and training purposes.

CONNECTED TRANSACTIONS

Our Directors estimate that the maximum amount of service charges for hotel accommodation provided by the Two Hotels to us will not exceed Rmb 3.8 million, Rmb 4.2 million and Rmb 4.2 million for each of the three years ending December 31, 2009, 2010 and 2011, respectively. Given the expansion of our operations to other cities in China, our executives and employees who are not ordinarily based in Xiamen are required to travel to Xiamen and Jinjiang for business and training purposes. With the anticipated increase in our property development projects, the frequency of travel to those places by our employees and expected increase in guests, more hotel accommodation services is expected to be required from the Two Hotels than that for the previous years. The annual cap for the hotel accommodation services to be provided by the Two Hotels was estimated based on the historical number of nights stayed and the anticipated total number of room-nights of 5,000, 5,500 and 5,500, for each of the three years ending December 31, 2009, 2010 and 2011, respectively, to be spent by our staff in the Two Hotels and the service fees to be charged by Macau Powerlong Group on the basis of the agreed rate for accommodations at the Two Hotels.

Macau Powerlong Group is 88.9% owned by Hoi Kin Hong and is therefore a connected person of our Company under the Listing Rules.

It is customary for major users of hotels to negotiate with hotel operators for a discount to the standard hotel tariff. Accordingly, despite the 50% discount we enjoy at the Two Hotels, our Directors consider that the Hotel Services Agreement was entered into on commercial terms and the terms of which are fair and reasonable and are in the interest of our Company and our shareholders as a whole.

Since each of the percentage ratios (other than the profit ratio) for the Hotel Services Agreement is more than 0.1% but less than 2.5%, the transactions under the Hotel Services Agreement constitute continuing connected transactions for our Company which are exempted from independent shareholders' approval requirements but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

(4) *Property management services agreements with the associates of Macau Powerlong Group and our Directors*

Our Company entered into seven property management services agreements (the "Property Management Services Agreements") with 福州寶龍樂園遊樂有限公司 (Fuzhou Powerlong Amusement Management Company Limited) ("Fuzhou Amusement"), 青島寶龍樂園旅遊發展有限公司 (Qingdao Powerlong Amusement Development Company Limited) ("Qingdao Amusement"), Qingdao Outlets, 鄭州食全食美餐飲管理有限公司 (Zhengzhou Powerlong Food & Beverage Company Limited) ("Zhengzhou F&B"), Zhengzhou Outlets, Hoi Kin Mei and Hoi Wa Fong on September 4, 2009. Fuzhou Amusement and Qingdao Amusement are amusement park operators, Qingdao Outlets and Zhengzhou Outlets are outlets stores, and Zhengzhou F&B is a food court operator. Pursuant to the Property Management Services Agreements, we provide property management services including security, cleaning and maintenance services, to the amusement park, retail stores, food court and offices operated and occupied by those companies, and the commercial units owned by Hoi Kin Mei and Hoi Wa Fong for a term of three years ending December 31, 2011. We charge property management services fees at prevailing market rates and on terms no more favorable than those offered by independent third parties for comparable

CONNECTED TRANSACTIONS

services to those companies and persons. Our Directors are of the view that such transactions were conducted on normal commercial terms and in the ordinary course of business.

For the year ended December 31, 2006, we only provided property management services for the apartments occupied by Hoi Kin Mei and Hoi Wa Fong. We commenced providing property management services to Fuzhou Amusement when they started their business operations in 2007. For each of the three years ended December 31, 2006, 2007 and 2008, the aggregate amount of property management charges was approximately Rmb 0.2 million, Rmb 0.4 million and Rmb 0.9 million, respectively, representing approximately 0.3%, 0.3% and 0.5% of our total administrative expenses and selling and marketing costs for each of the three years ended December 31, 2006, 2007 and 2008, respectively.

The property management services fees we charge vary according to the locations, type of properties and use of properties. As Qingdao Amusement Qingdao Outlets and Zhengzhou Outlets commenced their business operations in 2009, our income from service fees increased significantly during that year. Our Directors estimate that the maximum service fees we charge under the Property Management Services Agreements will not exceed Rmb 1.9 million, Rmb 4.42 million and Rmb 4.42 million for each of the three years ending December 31, 2009, 2010 and 2011, respectively.

Each of Fuzhou Amusement, Qingdao Amusement, Qingdao Outlets, Zhengzhou Outlets and Zhengzhou F&B is wholly owned by Xiamen Powerlong Group, these companies are therefore connected persons of our Company under the Listing Rules.

Since each of the percentage ratios (other than the profit ratio) for the Property Management Agreements in aggregate is more than 0.1% but less than 2.5%, the transactions under the Property Management Agreements constitute continuing connected transactions for our Company which are exempted from independent shareholders' approval requirements but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

(5) First office lease agreement of Fuzhou Powerlong

On April 21, 2008, Xiamen Powerlong Information, a 51% owned subsidiary of Xiamen Powerlong Group, as landlord and Fuzhou Powerlong as tenant entered into a lease agreement (the "First Office Lease Agreement") pursuant to which, the property located on the third floor of Powerlong Center, Xiamen, with an aggregate GFA of approximately 3,093 square meters, is leased to Fuzhou Powerlong and/or its subsidiaries for office use. The First Office Lease Agreement has an initial term of two years commencing from January 1, 2008. On September 4, 2009, a supplemental agreement to the First Office Lease Agreement was entered into between the parties thereto to extend the term of the lease to December 31, 2011.

We are principally engaged in the business of property development and our leasing operation is limited to commercial properties developed by us and retained for long-term investment purposes. Our leasing properties are primarily retail and catering spaces and are let to retail outlets, entertainment and food and beverages operators, which usually command higher rentals than properties with mixed usages.

CONNECTED TRANSACTIONS

As Powerlong Center is a commercial-residential development and is different from the properties that are the focus of our leasing operation, the third floor of Powerlong has not been included into our Group as part of the Reorganization. We do not believe that as a developer of large scale commercial properties, the inclusion of such asset into our Group would create any significant economic value or provide any benefits to our business model and overall strategy. We have absolute discretion in discontinuing the lease of the property and relocate to another premises. However, in view of the fact that Fuzhou Powerlong has been using the property for several years and that it would be inconvenient to relocate to another premises, we have decided to continue leasing the property as an office for our operation.

Under the First Office Lease Agreement, we shall pay an annual rent of approximately Rmb 1,484,832 for the above premises, which represents approximately 0.17% of our total cost of sales for the financial year ended December 31, 2008. The rent is equivalent to the fair rental value of the premises as assessed by Savills. The rent paid for the financial year ended December 31, 2008 was Rmb 1,484,832.

Xiamen Powerlong Information is a 51% owned subsidiary of Xiamen Powerlong Group, which is in turn 88.9% indirectly owned by Hoi Kin Hong and is therefore a connected person of our Company. The First Office Lease Agreement thus constitutes a continuing connected transaction for our Company in accordance with the Listing Rules.

(6) Second office lease agreement of Fuzhou Powerlong

On April 21, 2008, Fuzhou Powerlong as tenant and Zhang Hao Yao (張顥耀) and Zhang Ming Xuan (張銘軒) jointly as landlord entered into a lease agreement (the "Second Office Lease Agreement") pursuant to which, the property located at the second floor of Powerlong Center, Xiamen, with an aggregate GFA of approximately 2,930 square meters is leased to Fuzhou Powerlong and/or its subsidiaries for office use.

The Second Office Lease Agreement has a term of two years commencing from January 1, 2008. On September 4, 2009, a supplemental agreement to the Second Office Lease Agreement was entered into between the parties thereto to extend the term of the lease to December 31, 2011. Under the Second Office Lease Agreement, the annual rent payable is Rmb 1,406,616 for the above premises, which represents approximately 0.16% of our total cost of sales for the financial year ended December 31, 2008. The rent is equivalent to the fair rental value of the premises as assessed by Savills. The rent paid for the financial year ended December 31, 2008 was Rmb 1,406,616.

Zhang Hao Yao and Zhang Ming Xuan are the nephews of Hoi Kin Hong, an executive Director and Controlling Shareholder, and Zhang Hao Yao and Zhang Ming Xuan are therefore connected persons of our Company. The Second Office Lease Agreement thus constitutes a continuing connected transaction for our Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profit ratio) for the First Office Lease Agreement when aggregated with the Second Office Lease Agreement is more than 0.1% but less than 2.5%, the transactions under the First Office Lease Agreement and Second Office Lease Agreement are subject to the reporting and announcement requirements but are exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(C) Continuing connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements

(7) Long-term Lease Agreements

We as landlord have entered into the following long term lease agreements the "Long-term Lease Agreements"):

<u>Tenant</u>	<u>Location of property</u>	<u>Area of property (square meters)</u>	<u>Term</u>	<u>Annual rent payable (RMB)</u>	<u>Use of property</u>
Fuzhou Amusement . . .	Fuzhou Powerlong City Plaza	6,879.79	10	2.55 million	Amusement park
Zhengzhou F&B . .	Zhengdong District, Zhengzhou	4,091.29	8	1.60 million	Food court
Zhengzhou Outlets	Zhengdong District, Zhengzhou	21,023.18	15	8.38 million	Outlet retail stores
Qingdao Outlets . .	Chengyang District, Qingdao	33,822.39	15	14.84 million	Outlet retail stores
Qingdao Amusement . . .	Chengyang District, Qingdao	18,563.73	10	14.25 million	Amusement park

The annual cap of each property lease agreement is the rent determined with reference to the current market rent of the same property for the relevant use. Savills has reviewed the Long-term Lease Agreements and considers that the rental payable are in line with market rates.

Each of Fuzhou Amusement, Qingdao Outlets, Zhengzhou Outlets, Zhengzhou F&B and Qingdao Amusement is wholly owned by Xiamen Powerlong Group, these companies are therefore connected persons of our Company under the Listing Rules.

We have also entered into long-term lease agreements for a term of 10 to 20 years with our other major tenants such as Carrefour and Gome Electronics. Our Directors are of view that long-term leases with major tenants are in line with the normal practice of other commercial complex operators in China. By entering into long-term lease agreements with our major tenants, we believe that we will be able to secure more stable rental income streams in the future.

As Fuzhou Amusement was only incorporated in 2007, there were no historical transactions of a similar nature prior to 2007. For each of the two years ended December 31, 2007 and 2008, the rental income under the lease agreement with Fuzhou Amusement was approximately Rmb 0.76 million and Rmb 2.55 million, respectively. Zhengzhou F&B,

CONNECTED TRANSACTIONS

Zhengzhou Outlets, Qingdao Amusement and Qingdao Outlets commenced their operations only in 2009, there has been no historical transaction with these companies during the three years ended December 31, 2006, 2007 and 2008.

The maximum aggregate annual rental payable by the tenants to us under the Long-term Lease Agreements for the three years ending December 31, 2009, 2010 and 2011 (the “current rent period”) must not exceed Rmb 13.52 million, Rmb 41.63 million and Rmb 41.63 million, respectively, and will be reviewed upon their expiry. Upon the expiry of the current rent period under the Long-term Lease Agreements on December 31, 2011, we will ensure re-compliance with all relevant requirements under Chapter 14A of the Listing Rules.

The rent payable under the Long-term Lease Agreements will be reviewed by our independent non-executive Directors every three years taking into account market conditions but should not be lower than the rent applicable to a third party tenant leasing the premises for similar purpose. Pursuant to the Long-term Lease Agreements, the annual rental increment should not be lower than 3% after the current rent period.

The Directors are of the view that the Long-term Lease Agreements as disclosed above (whether with third party tenants or our connected parties) were conducted on normal commercial terms and in the ordinary course of business, and are appropriate and in the best interest of our shareholders for the following reasons:

- As part of our income is expected to be generated from rental return by leasing out various units of plazas to commercial tenants going forward, stable rental yield with reliable tenants is considered particularly important and relevant to our operation and the success of our business model. A lease term exceeding three years is one of the most straightforward ways to help secure stable rental income and reduce the risk associated with loss of rental income as a result of termination of short-term leases.
- In line with our business model and strategy, we also enter into long-term lease agreements with third party commercial tenants. Our commercial tenants are able to promote our image, as well as to boost and maintain the number of customers visiting our commercial complexes. As such, it is in our interest to enter into long-term leases with our tenants so as to reduce any disruption caused to the operation, and any adverse impact on the image, of our commercial complexes as a result of the departure by any such tenant upon the termination of short-term leases.
- Furthermore, despite the long-term nature of the Long-term Lease Agreements, we have the flexibility to review and revise the rent payable under these agreements. In particular, the rent to be revised should not be lower than the rent applicable to a third party tenant leasing the premises for similar purpose, and in any event, the annual rental increment should not be lower than 3% after the first three-year term. As such, the entry into long-term lease agreements with such connected parties will enable us to benefit from stable rental income while providing us with the ability to revise the rent upward should we consider appropriate.

CONNECTED TRANSACTIONS

Since the rent payable under the Long-term Lease Agreement is more than 2.5%, the transactions under the Long-term Lease Agreement constitute continuing connected transactions for our Company which are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Based on the foregoing circumstances and opinions, our Directors are of the view that the lease terms longer than three years under the Long-term Lease Agreements are in line with normal business practice for contracts of this type and of such duration in the PRC.

Waivers

The transactions described in paragraphs (3) to (6) above constitute our continuing connected transactions under Rule 14A.34 of the Listing Rules. The applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above are more than 0.1% but less than 2.5%. As such, the non-exempt continuing connected transactions in paragraphs (3) to (6) above would normally require full reporting and announcement but would be exempt from the independent shareholders’ approval. The proposed annual cap for transactions under paragraph (7) is more than 2.5%, the non-exempt continuing connected transactions would be subject to reporting, announcement and independent shareholders’ requirements under the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and (where applicable) independent shareholders’ approval requirements of the Listing Rules in respect of each of these transactions subject to the aggregate value of each of these non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above.

Directors’ view

Our Directors, including the independent non-executive Directors, consider that all the continuing connected transactions in paragraphs (1) to (7) are conducted upon normal commercial terms and are fair and reasonable and in the interests of our shareholders as a whole and are in the ordinary and usual course of our business. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of all of the non-exempted continuing connected transactions in paragraphs (3) to (7) above are fair and reasonable.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of nine Directors, three of whom are independent non-executive Directors. The powers and duties of our Board of Directors include convening shareholders’ meetings and reporting the Board’s work at the shareholders’ meetings, implementing the resolutions passed on the shareholders’ meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors and non-executive Directors.

Directors

The following table sets forth certain information concerning our Directors.

Name	Age	Position
Hoi Kin Hong (許健康)	57	Chairman of the Board of Directors and President
Hoi Wa Fong (許華芳).	31	Executive Director and Chief Executive Officer
Xiao Qing Ping (肖清平)	60	Executive Director, Deputy President
Shih Sze Ni (施思妮)	28	Executive Director, Head of Cost Control Center and Audit
Liu Xiao Lan (劉曉蘭)	43	Executive Director
Hoi Wa Fan (許華芬)	33	Non-executive Director
Ngai Wai Fung (魏偉峰)	47	Independent non-executive Director
Mei Jian Ping (梅建平)	49	Independent non-executive Director
Nie Mei Sheng (聶梅生)	68	Independent non-executive Director

Chairman

HOI Kin Hong (許健康), aged 57, is our Chairman of the Board and our president. He was appointed as our executive Director in July 2007. He is primarily responsible for the overall strategy and investment decision. Hoi Kin Hong founded the Xiamen Powerlong Group in 1992 and has served as its chairman and president ever since. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. For two consecutive years in 2006 and 2007, Hoi Kin Hong was recognized as a Contributor to Real Estate Brands in China (中國房地產品牌貢獻人物) by the China Index Academy (中國指數研究院). Hoi Kin Hong is a member of the Chinese People’s Political Consultative Conference (全國政協委員) and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People’s Republic of China (澳門特別行政區推委會委員). In addition, Hoi Kin Hong has also made substantial contributions to charitable and social organizations in China and has been appointed as an Ambassador of China Charities (中國公益大使) by Charitable Work Development (中國公益事業發展聯合會).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Hoi Kin Hong had been a director of Great Dragon Tobacco Trading Limited ("Great Dragon"), which was a private company incorporated in Hong Kong. As Great Dragon was not carrying on business or in operation, it was struck off by the Registrar of Companies pursuant to section 291 of the Companies Ordinance on March 28, 2002 and dissolved on May 10, 2002.

Executive Directors

HOI Wa Fong (許華芳), aged 31, is an executive Director of our Board. Hoi Wa Fong was appointed as our executive Director in July 2007 and our chief executive officer in August 2009. He is primarily responsible for the overall management of our business operations. Hoi Wa Fong joined Powerlong Decoration in 1999 and served as the deputy general manager. In October 2001, Hoi Wa Fong resigned from his position in Powerlong Decoration and joined Xiamen Powerlong as deputy general manager, responsible for financial and daily operation. He was promoted to deputy president and later became an executive deputy president of Xiamen Powerlong Group in December 2003 and June 2004, respectively, primarily responsible for the overall management of the business of Xiamen Powerlong Group. Hoi Wa Fong will not hold any executive or management positions in Xiamen Powerlong Group. He has approximately nine years of experience in the real estate industry. Hoi Wa Fong was named as one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province (福建省十大傑出青年企業家) in 2006. Hoi Wa Fong received an EMBA from the Cheung Kong Graduate School of Business (長江商學院) in October 2007. He was appointed as our executive Director in July 2007. Hoi Wa Fong is the son of Hoi Kin Hong.

XIAO Qing Ping (肖清平), aged 60, is an executive Director of our Board and our deputy president. Xiao Qing Ping was appointed as our executive Director in November 2007. He is primarily responsible for the administrative management of our Company. He was an officer of Jinjiang Bureau of Land Administration (晉江市土地管理局) from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined us as an executive Director. He graduated from China Textile Political Distance Learning College (中國紡織政治函授學院) in 1988, majoring in economic management.

SHIH Sze Ni, Cecilia (施思妮), aged 28, is an executive Director of our Board and the general manager of our cost control center and chief audit officer. She is primarily responsible for the audit and internal control of our Company. Shih Sze Ni joined Xiamen Powerlong Hotel in January 2003 as a director and was primarily responsible for financial management. She then joined Xiamen Powerlong Group in May 2005 as a director and chief financial officer. In November 2007, she resigned from her positions in Xiamen Powerlong Hotel and Xiamen Powerlong Group and joined us as an executive Director and the head of our audit department as well as the general manager of our cost control center. She has almost five years of experience in financial management. She graduated from Central Queensland University in Australia with a master's degree in arts administration in 2001. Shih Sze Ni is the wife of Hoi Wa Fong.

LIU Xiao Lan (劉曉蘭), aged 43, is an executive Director of our Board. Liu Xiao Lan was appointed as our executive Director in August 2009. She is primarily responsible for the external affairs of our Group and general administrative matters of our Board. Before joining us, between 1998 and 2002, she worked as a sales manager and marketing manager in the China office of Beckman Coulter, Inc. She joined Xiamen Powerlong Group in June 2002 and served as the assistant to the chief deputy president and vice general manager of the real estate center of

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Xiamen Powerlong Group in January 2005. In November 2007, she resigned from her position in Xiamen Powerlong Group and joined us as an assistant to the president and secretary of our Board. She graduated from Fujian University of Traditional Chinese Medicine (福建中醫學院) in 1988 and completed the advanced business administration program for the Youth Presidents in China (全國青年總裁工商管理高級研修班) offered by Chinese Academy of Social Sciences (中國社會科學院) in 2004. Liu Xiao Lan has over four years of experience in the real estate industry.

Non-executive Director

HOI Wa Fan (許華芬), aged 33, is a non-executive Director of our Board. She joined Xiamen Powerlong Group in 2006 as a director and an executive director of its commercial operation center (寶龍商業經營管理中心) in 2006. Hoi Wa Fan is a managing director of Macau Powerlong Group and is responsible for the overall management and business development of Macau Powerlong Group. Between 2000 and 2006, she was a managing director and general manager of Nicole, a fashion brand concept store in Macau. Hoi Wa Fan has approximately nine years of experience in business management. She is a member of All-China Youth Federation (中華青年聯合會委員). She was appointed as our non-executive Director in November 2007 and maintains primarily an advisory role with us. Hoi Wa Fan is the daughter of Hoi Kin Hong.

Independent non-executive Directors

NGAI Wai Fung (魏偉峰), aged 47, is an independent non-executive Director. He is currently a director and Head of Listing Services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton, respectively), an independent integrated corporate services provider, vice president of the Hong Kong Institute of Chartered Secretaries and the chairmen of its China Affairs Committee and Membership Committee, and the non-executive chairman of Top Orient Group of Companies. He was the company secretary of Industrial and Commercial Bank of China (Asia) Limited, a company listed on the Stock Exchange, in 2005, an executive director of Top Orient Capital (Asia) Ltd. from 2003 to 2005, the company secretary of China Unicom Limited, a company listed on the Stock Exchange, from 2001 to 2003, the executive director, the company secretary and the chief financial officer of the then Oriental Union Holdings Limited (now known as CY Foundation Group Limited), a company listed on the Stock Exchange, from 1999 to 2001. Ngai Wai Fung is an associate of the Association of Chartered Certified Accountants in the United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Chartered Secretaries. Ngai Wai Fung has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major red chips companies. Ngai Wai Fung is currently an independent non-executive director and a member of the Audit Committee of China Life Insurance Company Limited, Franshion Properties (China) Limited, Bosideng International Holdings Limited, China Railway Construction Corporation Limited and Bawang International (Group) Holdings Limited, all of which are companies listed on the Stock Exchange. Ngai Wai Fung received a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a master's degree in Business Administration from Andrews University of Michigan in 1992. He is currently a doctoral candidate in Finance at Shanghai University of Finance and Economics. He was appointed as our independent non-executive Director in June 2008.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

MEI Jian Ping (梅建平), aged 49, is an independent non-executive Director of our Board. He is currently a professor of finance at Cheung Kong Graduate School of Business (長江商學院). He was a tenured associate professor of finance at the Stern School of Business, New York University, a director of CCFR Real Estate Research Program at Tsinghua University. His major areas of research include international asset pricing and real estate finance. Professor Mei has published more than 30 essays and articles on leading finance and real estate periodicals and has received “Best Real Estate Research Paper Awards”. Mei Jian Ping has extensive experience in real estate finance. In recent years, he has advised numerous top real estate developers and investors in China, including Guangzhou R&F Properties Co., Ltd., a company listed on the Stock Exchange, Gemdale Co., Ltd., a company listed on the Shanghai Stock Exchange, Nanjing Liyuan Group (利源集團), Hengshi Investment Group (亨氏投資集團), Xingguang Group (星光集團) and Hairong Holdings (海榮控股), on investment, development, profit-making, financing, capital increase and long-term investment strategies. Mei Jian Ping was a consultant and financial advisor to some of the largest financial institutions, including Prudential Insurance of America, Fidelity Investment, UBS Warburg, Asia Development Bank, NCH capital, Koo’s Group, and W.P. Carey. He was also an advisor to several major Chinese asset management companies as well as an advisor to the Yunan Investment Trust Company responsible for market data analysis, preparation of investment proposals and Asia real estate market analyst reports, and advice on strategic investment. He was a faculty director of numerous international residency programs at New York University. He was also an organizer of several investment conferences, including as chairman for the Greater China Real Estate Investment Session for the American Real Estate and Urban Economics Association (美國房地產及都市經濟研究協會). He has a Ph.D. in economics from Princeton University and a bachelor degree from Fudan University (復旦大學) majoring in mathematics. He was appointed as our independent non-executive Director in June 2008.

NIE Mei Sheng (聶梅生), aged 68, is an independent non-executive Director of our Board. She was appointed as our independent non-executive Director in August 2009. And she is also the independent non-executive Director of NEO-China Land Group (Holdings) Limited (00563) since October 2003. She has more than 18 years experience working at the China Southwest Municipal Engineering Design Institute (中國市政工程西南設計院). From 1994 to 1998, she served as the director general of the Science & Technology Department and was a member of the Science and Technology Committee of the Ministry of Construction. She has been the deputy director of the Science and Technology Committee and the chairwoman of the Housing Industrialization Office since 1998. Nie Mei Sheng has also served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001. She has been a standing committee member of the China National Federation of Industry and Commerce since 2004. In addition, she has served as the vice chairwoman of the China Urban water supply and drainage Association and the economic consultant to Jieyang City, Guangdong Province since 2006 and the chairwoman of Jing Rui (China) Real Estate Research Institution (精瑞(中國)不動產研究院) since 2007.

Nie Mei Sheng won numerous awards in China and overseas, including A-level Science and Technology Progress Prize by the Ministry of Construction, A-level Science and Technology Progress Prize by the State Education Commission, Jinguo Jiangong Pacesetter (巾幗建功標兵) by the Center Government Office etc. She was praised by the 4th Women Conference of the UN as a female scientific & technological expert. Nie Mei Sheng is a visiting professor of Shanghai University and an academican of the World Productivity Academy. Nie Mei Sheng graduated from civil engineering department of Tsinghua University specializing in water supply and drainage in 1963.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed herein, there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Senior Management

The following table sets forth certain information concerning our other senior management members.

Name	Age	Position
Au-Yeung Po Fung (歐陽寶豐).	41	Deputy President, Chief Financial Officer and Company Secretary
Lin Feng Li (林峰利)	41	Deputy President
Hong Qun Feng (洪群峰).	36	Deputy President
Liu Xi Cai (劉喜才)	39	Special Assistant to the President and General Manager of Administration Management Center
Leung Yuk Ming (梁旭明)	34	Head of Corporate Finance and Investor Relations Director
Wang Yan Qin (王燕芹).	45	General Manager of Technology R&D Management Center
Qian Hua (錢華).	42	General Manager of Commercial Property Management Center
Zhou Li Hua (周麗華)	43	Deputy Chief Audit Officer
You Xiao Di (尤曉笛)	34	Deputy Chief Financial Officer
Ku Wei Hong (庫衛紅)	41	Chief Legal Officer

AU-YEUNG Po Fung (歐陽寶豐), aged 41, is our deputy president, chief financial officer and company secretary. Before joining us, Au-Yeung Po Fung was in charge of financial management for a number of companies across different industries, including property developers, financial institutions, conglomerates and international audit firms. He was a financial controller at SPG Land Holdings Limited, a company listed on the Stock Exchange. Au-Yeung Po Fung graduated from the Hong Kong Polytechnic University, is a charterholder of the CFA Institute, member of Hong Kong Society of Financial Analysts, fellow member of the Hong Kong Institute of Certified Public Accountants and associate member of the Institute of Chartered Accountants in England and Wales. He joined us in November 2007.

LIN Feng Li (林峰利), aged 41, is the deputy president. He is responsible for project management, construction, cost, marketing and quality management. He graduated from Zhong Nan University of Finance (中南財經大學) in 1990, majoring in investment and economics. Between 1994 to 2008, he was the deputy general manager, director and general manager for Eastern China in Xiamen Ju Heng Xing Real Estate Development Company (廈門聚恒興房地產開發公司), Xiamen Beifu Real Estate Marketing Agency (廈門北孚房地產營銷代理公司) and Xiamen Haosi Housing Investment Company Limited (廈門豪斯房屋投資有限公司). He joined our Company in 2008.

HONG Qun Feng (洪群峰), aged 36, is the deputy president. Hong Qun Feng is responsible for investment, strategic co-operation and product planning of our Group. Between 1992 to 2005, he was the market manager, assistant to the general manager and manager of Xiamen Jindu Property Company (廈門金都物業公司), Xiamen Chengyi Property Company (廈門誠毅地產公司) and Xiamen Bairun Property Consulting Company Limited. He joined our Company in 2004.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

LIU Xi Cai (劉喜才), aged 39, is the special assistant to the President, Head of the President's Office and the general manager of administration management center of our Company. Liu Xi Cai is responsible for human resources management. He received a Degree in Finance from the Hunan University in 1992 and a Master of Education from the Xiamen University in 1995. In 2006, he received a Ph.D in Finance from the Xiamen University. Between 1995 and 2008, he worked in Xiamen Jianfa Group Company Limited (廈門建發集團有限公司) and acted as the general manager of the human resources department. He joined our Company in 2008.

LEUNG Yuk Ming (梁旭明), aged 34, is our Head of Corporate Finance and Investor Relations Director. He has extensive experiences in investment banking, Listing Rules compliance and accounting. In his career, Leung Yuk Ming has worked for Macquarie Capital (Hong Kong) Limited, DBS Asia Capital Limited, the listing division of the Stock Exchange and Ernst & Young.

Leung Yuk Ming received his Bachelor's Degree in Commerce and Bachelor's Degree in Laws from the University of Calgary and the University of London respectively. He is a charterholder of the CFA Institute, member of Hong Kong Society of Financial Analysts and member of the Hong Kong Institute of Certified Public Accountants. He joined us in May 2009.

WANG Yan Qin (王燕芹), aged 45, is the general manager of our technology research and development management center. She is primarily responsible for the management of project construction progress and quality management. Wang Yan Qin graduated from Hebei Mining and Civil Engineering Institute (河北煤炭建築工程學院) in 1987, majoring in architectural and engineering management. She was the infrastructure engineer of Tangshan Mining Bureau (唐山開煤礦務局) and Shengli Group Design Institute (勝利集團設計院) from 1987 to 1998. Wang Yan Qin joined us in 1998. She was seconded to a large-scale commercial joint venture project as the on-site chief deputy commander in 2005. She was transferred back to our Company in March 2008 and worked as the chief general manager of our construction management center.

QIAN Hua (錢華), aged 42, is the general manager of our commercial property management center. She is primarily responsible for the business positioning, business opportunities and business operation management of our projects. Qian Hua graduated from Lanzhou University of Finance and Economics (蘭州商學院) majored in business and economics in 1991. Between 1991 to 2007, she was the floor manager, the marketing department manager and the chief general manager of Xiamen Department Store Company Limited (廈門百貨有限公司), Xinda Duty Free Shopping Center (信達免稅商場) and Mingsheng Group Business Management Company (明升集團經營管理公司), respectively. She joined us in April 2007.

ZHOU Li Hua (周麗華), aged 43, is our deputy chief audit officer. She is primarily responsible for our audit and internal control. She is a qualified accountant. She has over 20 years of experience in financing, accounting and internal control. She served as the head of the financial department in manufacturing and foreign corporation and deputy general manager of Zhuzhou Golden Hotel (株州黃金大酒店). Before joining us, she was a manager of the audit department of Xiamen Oriental Capital Investment Company Limited (廈門東方偉業資本管理有限公司) in 2001. She joined Xiamen Powerlong Group in March 2002 and served as the manager of the audit department, assistant to the chief financial officer and deputy chief financial officer of Xiamen Powerlong Group. In November 2007, she resigned from her position in Xiamen Powerlong Group and joined us as our deputy chief audit officer. She graduated from Dalian College of Economics and Management (大連經濟管理學院) in 1987 and is currently studying a course in financial management at Xiamen University (廈門大學).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

YOU Xiao Di (尤曉笛), aged 34, is our deputy chief financial officer. He is primarily responsible for our capital and asset management. He worked in Zhong Ke Xin Securities Company (中科信證券) from 1997 to 2002 in the investment banking department. Before joining us, he worked as the head of investment banking of Xiamen Enrich Asset Management Company Limited (廈門銀池資產管理有限公司). You Xiao Di joined Xiamen Powerlong Group in February 2005. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined us as our deputy chief financial officer and our chief investment officer. He graduated from Xiamen University (廈門大學) with a bachelor's degree in finance in 1997 and obtained a Master of Business Administration degree in 2007.

KU Wei Hong (庫衛紅), aged 41, is our chief legal officer. She is primarily responsible for our legal and compliance matters. She has over 15 years of legal experience. She worked as a solicitor in Xiamen Jin Zhao Law Office (廈門今朝律師事務所) from 1996 to 2000. Ku Wei Hong joined Xiamen Powerlong Group in July 2000 as the head of the legal department. In November 2007, she resigned from her position in Xiamen Powerlong Group and joined us as our chief legal officer. She graduated from Peking University (北京大學) majoring in economics law in 1990 and obtained a post graduate degree from Xiamen University (廈門大學) in international economics law in 1999.

MANAGEMENT PRESENCE IN HONG KONG: RULE 8.12 REQUIREMENTS

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. The business and operation of our Group, are primarily located, managed and conducted in the PRC. Substantially all customers of our Group are also located in the PRC. None of the executive Directors are ordinarily based in Hong Kong. Our Company does not and, in the foreseeable future, will not have any management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, our Company will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our Company:

- (a) Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorized representatives are Hoi Wa Fong, the chief deputy president and an executive Director, and Au-Yeung Po Fung, the company secretary of our Company. Au-Yeung Po Fung is an ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and facsimile. Each of the two authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange. Au-Yeung Po Fung will also be authorized to accept service of legal process and notices in Hong Kong on behalf of the Company.
- (b) Each of the authorized representatives has means to contact all members of the Board of Directors (including the non-executive Directors and the independent non-executive Directors) and of the senior management team promptly at all times as and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange, and our Directors, each of our Directors has provided their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange, and our Company will implement a policy that (i) each executive Director, non-executive Director, and independent non-executive Director will have to provide their respective mobile and office phone numbers, residential phone numbers and fax numbers and email addresses, if applicable, to the authorized representatives; (ii) in the event that an executive Director, non-executive Director, or independent non-executive Director expects to travel and be out of office, he or she will have to provide the phone number of the place of his or her accommodation to the authorized representatives; and (iii) all the executive Directors, non-executive Directors, independent non-executive Directors and authorized representatives will provide their mobile phone numbers, residential phone numbers, office phone numbers and fax numbers and email addresses, if applicable, to the Stock Exchange.

- (c) In addition, all executive Directors, who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, our Company has appointed WAG Worldsec as the compliance advisor of our Company.

BOARD AUDIT COMMITTEE

We have established a Board audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal controls. The audit committee currently consists of three independent non-executive Directors, Ngai Wai Fung, who serves as its chairman, Mei Jian Ping and Nie Mei Sheng.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The responsibilities of our audit committee will include, among others:

- appointing and overseeing the work of our independent auditors and pre-approving all non-audit services to be provided by our independent auditors;
- reviewing our annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of our disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;
- reviewing the planning and staffing of internal audits, organization, responsibilities, plans, results budgets and staffing of our internal audit team and the quality and effectiveness of our internal controls;
- reviewing our risk assessments and management policies; and
- establishing procedures for the treatment of complaints received by us regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

We believe that the composition and functioning of our audit committee will comply with the applicable requirements of the Stock Exchange. We intend to comply with future requirements to the extent they become applicable to us.

BOARD REMUNERATION COMMITTEE

We have established a Board remuneration committee in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to formulate the training and compensation policies and to determine and manage the compensation of our senior management. The remuneration committee currently consists of one executive Director, Hoi Wa Fong, who serves as its chairman, and two independent non-executive Directors, Mei Jian Ping and Nie Mei Sheng. The responsibilities of our remuneration committee include, among others:

- approving and overseeing the total compensation package for our executive officers, evaluating the performance of and determining and approving the compensation to be paid to our senior management;
- reviewing and making recommendations to our Board with respect to Directors' compensation, including equity-based compensations;
- administering and periodically reviewing and making recommendations to our Board regarding the long-term incentive compensation or equity plans made available to our Directors, employees and consultants; and
- reviewing and making recommendations to our Board regarding executive compensation philosophy, strategy and principles and preparing annual reports on the compensation of our senior management.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD NOMINATION COMMITTEE

We have established a Board nomination committee. The primary duties of the nomination committee are to establish, or recommend to the Board, criteria for identifying appropriate director candidates and to approve and select, or recommend that the Board select, director nominees. The nomination committee currently consists of one executive Director, Hoi Kin Hong, who serves as its chairman, and two independent non-executive Directors, Mei Jian Ping and Nie Mei Sheng. The other responsibilities of our nomination committee include, among others:

- reviewing the structure, size and composition of our Board on a regular basis;
- making recommendations to the Board regarding the responsibilities, organization and membership of all Board committees;
- making recommendations to the Board a successor to the President in the event of retirement or termination of service, and reviewing and approving proposed changes in other senior management positions;
- developing, recommending to the Board and monitoring a statement of corporate governance principles or guidelines; and
- evaluating the effectiveness of the Board, Board committees and senior management.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals during the years ended December 31, 2006, 2007 and 2008 was approximately Rmb 599,000, Rmb 753,000 and Rmb 2,692,000, respectively.

No emoluments were paid to any Directors or independent non-executive Directors during the years ended December 31, 2006, 2007 and 2008. The Directors' emoluments borne by the then equity owners of our Group during the years ended December 31, 2006, 2007 and 2008 amounted to Rmb 599,000, Rmb 753,000 and Rmb 2,692,000, respectively.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2006, 2007 and 2008, by us or any of our subsidiaries to or on behalf of any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending December 31, 2009 to be approximately Rmb 3.1 million.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As of June 30, 2009, we had 1,485 full time employees and 83 temporary employees. The table below sets forth the number of our employees by their functions:

	<u>Number of employees</u>
Senior management	161
Business management	126
Administrative personnel	120
Project development	257
Project planning & design	16
Interior decoration	—
Cost control	70
Marketing	41
Sales	113
Property management	421
Finance and audit	90
Human resources	43
Others	<u>27</u>
Subtotal	1,485
Temporary employees	<u>83</u>
Total	<u><u>1,568</u></u>

We recruit our employees from Chinese universities, vocational schools and the public. As of June 30, 2009, over 57% of our 1,485 full-time employees had college or associate college degrees. Given our rapid business expansions in recent years, we intend to establish more structured employee training programs to consolidate the experience we accumulated in the property development industry to date, and to enhance the knowledge and expertise of our employees and executives. We also plan to work with external academic institutions to jointly implement training courses for our employees. We believe these initiatives will help us to standardize our business operations, increase employee productivity and enhance our overall competitiveness.

The remuneration package of our employees includes salary, bonus and cash subsidies. In general, we determine employee salaries based on each employee’s qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. As required by PRC regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, work place accidents insurance and housing provident fund. We believe that the salaries and benefits that our employees receive are competitive in comparison with market rates.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe that we have been maintaining fine relationships with our employees. As of the Latest Practicable Date, no material labor disputes had occurred which adversely affected or were likely to have an adverse effect on the operations of our business.

COMPLIANCE ADVISOR

We have appointed WAG Worldsec as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with WAG Worldsec, the material terms of which are summarized as follows:

- (a) we have appointed WAG Worldsec as our compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on [●] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after [●], or until the agreement is terminated, whichever is earlier;
- (b) WAG Worldsec shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our channels of communication with the Stock Exchange;
- (c) we have agreed to indemnify WAG Worldsec certain actions against it and losses incurred by it arising out of or in connection with the performance by WAG Worldsec of its duties under the agreement; and
- (d) we may terminate the appointment of WAG Worldsec as our compliance advisor, by service of a one-month notice, only if its work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules. WAG Worldsec will have the right to resign or terminate its appointment by service of a one-month notice to us if we breach the agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

- (a) So far as our Directors are aware, the following persons will have beneficial interests or short positions in any of our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares and underlying Shares of our Company

<u>Name of shareholder</u>	<u>Capacity in which interests are held</u>	<u>Interests in Shares</u>	<u>Approximate percentage shareholding</u>	<u>Notes</u>
Hoi Kin Hong	Interest of a controlled corporation	[●]	[●]%	
Skylong	Beneficial interest	[●]	[●]%	1
Hoi Wa Fong	Interest of a controlled corporation	[●]	[●]%	
Sky Infinity	Beneficial interest	[●]	[●]%	2
Hoi Wa Fan	Interest of a controlled corporation	[●]	[●]%	
Walong	Beneficial interest	[●]	[●]%	3
Che lok Teng	Interest of a controlled corporation	[●]	[●]%	4
Wason	Beneficial interest	[●]	[●]%	4

Notes:

1. Skylong is wholly owned by Hoi Kin Hong and Hoi Kin Hong is deemed to be interested on the Shares held by Skylong for the purpose of the SFO.
2. Sky Infinity is wholly owned by Hoi Wa Fong and Hoi Wa Fong is deemed to be interested on the Shares held by Sky Infinity for the purpose of the SFO.
3. Walong is wholly owned by Hoi Wa Fan and Hoi Wa Fan is deemed to be interested on the Shares held by Walong for the purpose of the SFO.
4. Wason is owned as to 70% by Che lok Teng and Che lok Teng is deemed to be interested on the Shares held by Wason for the purpose of the SFO.

- (b) As of the Latest Practicable Date, so far as is known to our Directors, the following person was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital:

<u>Name of shareholder</u>	<u>Name of company</u>	<u>Approximate percentage shareholding</u>
Macau Jurong	Wuxi Powerlong	20%
Chen Yi Wei	Powerlong Design	20%
Hong Qun Feng	Bairun Consulting	29%
Hong Qun Feng	Jinjianguo Consulting	29%
Mei Song Hua	Xiamen Original Design	29%

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

	HK\$
Authorized share capital:	
<u>30,000,000,000</u> Shares of HK\$0.01 each	<u>300,000,000</u>
Issued share capital:	
3,150,000,000 Shares in issue as at the date of this document	31,500,000

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information, together with the accompanying notes, in the Accountants’ Report contained in Appendix I to this document. Our consolidated financial information as of and for each of the three financial years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009 were audited by PricewaterhouseCoopers, Certified Public Accountants. We have prepared our consolidated financial information in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Accordingly, you should not place undue reliance on any such statements. Our future results could differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under the section entitled “Risk Factors” in this document.

BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

We underwent the Reorganization which involved companies under common control, and our company and consolidated subsidiaries resulting from the Reorganization are regarded as a continuing group. Accordingly, we have accounted for the Reorganization on the basis of merger accounting, under which our consolidated financial information presents our results of operations, cash flows and financial position as if our current group structure had been in existence since January 1, 2006 or since the respective dates of incorporation/establishment or acquisition, whichever is later. All intra-group transactions and balances have been eliminated on consolidation. Our consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and embedded financial derivatives at their fair values pursuant to HKFRS.

The consolidated statements of comprehensive income for the six months ended June 30, 2008 and the consolidated statements of financial position as of June 30, 2008 have been derived from our unaudited consolidated financial statements included elsewhere in the document. We have prepared the unaudited interim consolidated financial statements on the same basis as our audited consolidated financial statements. The unaudited interim consolidated financial statements include all adjustments, consisting only of normal and recurring adjustments that we consider necessary to fairly present our financial positions for the periods indicated.

OVERVIEW

We believe we are a leading commercial property developer in China specializing in the development and operation of high-quality, large-scale, multi-functional commercial complexes. Our existing property projects are generally located in prime positions close to the city center of fast-growing, emerging cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province and Anhui Province. We intend to expand our commercial property development operations predominantly to other second or third-tier cities in China with high growth potential. In 2006, 2007 and 2008, we were recognized as a top brand, among commercial and tourism related real estate brands, by China Real Estate Top 10 Research Group, based on a combination of factors, including our market position, brand recognition and customer

FINANCIAL INFORMATION

satisfaction. We were named as one of the top 100 real estate enterprises in China in 2006, 2007, 2008 and 2009, by the same organization based on a range of factors such as total assets, total revenue, net profit and GFA completed and under development.

During our Track Record Period, we have evolved from a regional property developer and operator into a national player in the commercial property markets and have expanded into many strategically selected emerging cities across China. For 2006, 2007 and 2008, our revenue amounted to Rmb 402.8 million, Rmb 1,025.8 million and Rmb 1,583.8 million, respectively. We had profits attributable to our equity holders of Rmb 117.4 million, Rmb 603.3 million and Rmb 932.7 million for 2006, 2007 and 2008, respectively. For the six months ended June 30, 2008 and 2009, our revenue was Rmb 675.1 million and Rmb 1,294.3 million, respectively. Our profit attributable to our equity holders for the six months ended June 30, 2008 and 2009 was Rmb 55.7 million and Rmb 330.1 million, respectively.

As of June 30, 2009, we had a total of 17 property development projects at various stages of development in 14 cities in China as follows:

- *Completed properties.* We had completed four projects, of which three are located in Fujian Province and one is located in Henan Province, with a total GFA of 660,302 square meters, of which we currently hold a total GFA of 238,760 square meters available for lease.
- *Properties under development.* We had seven projects under development with a total GFA of 3,316,611 square meters, of which three are located in Jiangsu Province, two are located in Shandong Province, one is located in Henan Province and one is located in Anhui Province. We had completed construction of an aggregate of 538,675 square meters of GFA in various projects under development, with respect to which we are currently applying for the certificates of completion.
- *Properties held for future development.* We had six projects held for future development with a total GFA of 3,900,720 square meters, of which three are located in Jiangsu Province, two are located in Shandong Province and one is located in Henan Province.

We hold a 100% equity interest in all the above projects except for Wuxi Powerlong City Plaza, in which we hold an 80% interest. Of the 7,217,331 square meters of GFA under development and held for future development as of June 30, 2009, an estimated total GFA of approximately 3,861,621 square meters related to residential properties, and an estimated total GFA of 3,355,710 square meters related to commercial properties.

We focus on the development and operation of large-scale commercial complexes and therefore, the acquisition of land at competitive prices and in the right locations is critical to our overall development strategy. As of June 30, 2009, we had properties under development with a total site area of 1,525,474 square meters in Suzhou City and Wuxi City in Jiangsu Province, Qingdao City and Tai'an City in Shandong Province, Luoyang City in Henan Province as well as Bengbu City in Anhui Province. As of the same date, we also had properties held for future development with a total site area of 1,786,885 square meters in Suqian City, Yancheng City and Changzhou City in Jiangsu Province, Qingdao City and Yantai City in Shandong Province as well as Xinxiang City in Henan Province. We continually search for development sites that meet our selection criteria and plan to maintain our land reserves at levels sufficient to support our operations for three years on a rolling basis. We typically finance our land acquisition costs

FINANCIAL INFORMATION

with cash generated internally from our operations and bank borrowings. However, as we grow larger and gain more access to capital markets, we may also finance our land acquisition costs with other debt or equity instruments.

We believe our products are competitive in the PRC real estate market. Our property development projects typically comprise large-scale commercial complexes and residential properties in second or third tier cities. Our property developments are among the largest integrated commercial projects in the cities where they are located and typically have a total GFA ranging between 200,000 to 500,000 square meters each. Our “Powerlong City Plazas” are integrated commercial-residential complexes and typically include the following categories of properties:

- large-scale commercial premises that contain supermarkets, department stores, retail shops, cinemas, food courts and other recreational facilities; and
- quality residential properties with low- and/or high-rise apartment buildings, residential suites and villas.

Depending on the location of our projects and market demand, our future commercial complex projects may also include the following categories of properties:

- high-quality hotels managed by internationally recognized hotel management companies; and
- large-scale indoor amusement parks.

We are currently developing three high-quality hotels as part of our project developments in Suzhou City, Qingdao City and Tai’an City and have engaged a subsidiary of Starwood Hotels Resorts Worldwide Inc. to manage these hotels.

RECENT DEVELOPMENT

On September 17, 2009, we issued the New Secured Notes to Superb Miles Limited, a fellow subsidiary of ICBCI, in a principal amount of HK\$350 million due and payable on the earlier of December 16, 2009 or the listing of the Shares on the Stock Exchange. The New Secured Notes bear interest at an annual rate of 5.22%, accrued and calculated on a daily basis. Our obligations under the New Secured Notes are secured by charges over shares of our Company, BVI Powerlong, Powerlong (BVI) I, HK Powerlong and Powerlong (HK) 1, fixed and floating charges over assets of our Company and personal guarantees provided by Hoi King Hong and Hoi Wa Fong, the Controlling Shareholders. The amount of commission paid to the arranger in connection with the loan arrangement was approximately HK\$3.85 million. We used the proceeds from the New Secured Notes to redeem a portion of the outstanding Secured Bonds and Secured Notes. For more information, please see the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document.

In September 2009, we also secured the New Loan from the Industrial and Commercial Bank of China (Asia) Limited. We had used HK\$120 million to redeem a portion of the Secured Bonds and Secured Notes as of the Latest Practicable Date. Our obligations under the New

FINANCIAL INFORMATION

Loan are secured by a pledged deposit of an amount in Renminbi equivalent to the amount of the loan in Hong Kong dollars drawn down by us. The New Loan bears interest at an annual rate of HIBOR plus 0.75% and will become due and payable in September 2010.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Growth, Speed of Urbanization and Demand for Properties in China

The economic growth, urbanization and rising standard of living in China have been the main driving forces behind the increasing market demand for properties. Currently, the real estate industry is regarded by the PRC government as one of China’s pillar industries. It is significantly dependent, however, on the overall economic growth and the resultant consumer demand for properties. Because we target residential property buyers and commercial property tenants and buyers primarily in second and third-tier emerging cities in China, we believe that the rate of urbanization and the overall economic growth in China are especially important to our operations. In addition, urbanization and overall economic growth in China will also impact the consumer demand for our commercial rental properties and our occupancy rate, which will in turn affect our rental income and results of operations. The recent slowdown of the worldwide economy, including that of China, resulted in the decline in real estate market sentiment, a lower property demand and a decline in property selling prices and rental prices in many areas of China in 2008 and the first quarter of 2009. Any economic downturn in China generally or, in particular, in the cities where we operate, could adversely affect our business, results of operations and financial position. Please also see the section entitled “Risk Factors — Risks Relating to Our Businesses — The recent global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations” in this document.

Regulatory Measures in the Real Estate Industry in China

Policies and measures on property development and related industries implemented by the PRC government have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land supply, pre-sales of properties, permitted land usage, foreign investment, bank financing and taxation. For example, we are required to pay LAT on our property developments with respect to the appreciated value of the related land and improvements on such land. Currently, we prepay LAT in accordance with our pre-sale proceeds in the jurisdictions in which we have operations. In addition, we make provisions for any shortfall in our anticipated actual LAT liabilities. We cannot assure you that the relevant tax authorities will agree that our prepayments and provisions are sufficient to cover all the LAT obligations which PRC tax authorities may ultimately impose on us. Our financial position may be materially adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our prepayments and provisions. Please see the section entitled “Risk Factors — Risks Relating to the Property Development Industry in China — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations.”

In the past several years, the PRC government has also implemented a series of measures with a view to controlling the growth of the economy, including the property markets. For example, PBOC increased the required reserve ratio of funds that a commercial bank must hold on deposit 18 times, during the period between July 2006 and May 2008, from 7.5% in the first

FINANCIAL INFORMATION

half of 2006 to 17.5% in June 2008. Since June 2008, in order to stimulate the PRC economy, PBOC has decreased the required reserve ratio for commercial banks four times, from 17.5% to 14.5% in December 2008. In November 2004, MOFCOM and NDRC promulgated the Catalog of Guidance on Industries for Foreign Investment 《外商投資產業指導目錄》 to further regulate foreign investments in China. While it encouraged foreign investments in the development and construction of ordinary residential units in China, it restricted foreign investments in the development and operation of high-end hotels, villas, premium office buildings, international conference centers and large theme parks in China. In November 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category.

In response to the recent global financial crisis and in an effort to expand domestic demand, the State Council issued a notice on Adjusting the Capital Ratio of Fix Asset Investment Projects 《國務院關於調整固定資產投資項目資本金比例的通知》 in May 2009. Pursuant to the notice, the capital ratio for government subsidized housing projects and ordinary commodity housing projects is reduced from 35% to 20%, and the capital ratio for other property development projects is reduced from 35% to 30%. In October 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Individual Commercial Housing Loans 《關於擴大商業性個人住房貸款利率下浮幅度有關問題的通知》. Pursuant to the notice, the minimum down payment for home buyers was adjusted to 20% of the purchase price, with the minimum mortgage loan interest rate adjusted to 70% of the relevant PBOC benchmark interest rate. These and other measures have affected the overall economy in China, with differing effects on various economic sectors. Our financial position and results of operations were affected during the Track Record Period, and may continue to be affected, by these and other changes in the PRC regulatory measures, including the potential tightening of lending policies. Please also see “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document.

Ability to Acquire Suitable Land at Relatively Low Costs

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. The fluctuation of land acquisition costs during the Track Record Period mainly resulted from the different locations of the parcels of land we acquired. Based on our current development plans, we believe we have sufficient land reserves for property developments for the next three years. We expect competition among developers for land reserves that are suitable for property development to remain intense. In addition, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights may further increase competition for undeveloped land and land acquisition costs.

Pre-sale

Pre-sale constitutes the most important source of our operating cash inflow during project development. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our pre-sale cash inflow amounted to Rmb 907.7 million, Rmb 1,969.2 million, Rmb 1,707.1 million and Rmb 1,045.6 million, respectively. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sale proceeds to develop the property projects that are pre-sold. The amount and timing of cash inflows from pre-sale are affected by a number of factors, including timing and other restrictions

FINANCIAL INFORMATION

on pre-sale imposed by the PRC government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

Access to and Cost of Financing

Bank borrowings and borrowing from non-bank financing institutions are other important sources of funding for our property developments. As of December 31, 2006, 2007 and 2008 and June 30, 2009 our outstanding bank borrowings amounted to Rmb 129.0 million, Rmb 760.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively. In addition, as of June 30, 2009, we had Secured Bonds and Secured Notes outstanding amounting to Rmb 415.0 million. The effective interest rate of the Secured Bonds and Secured Notes for the year ended December 31, 2008 and for the six months ended June 30, 2009 was 27.6%. During each of 2006, 2007 and 2008 and the six months ended June 30, 2009, the average interest rate on our bank borrowings, computed as our total interest expenses for each year divided by our monthly average outstanding bank borrowings in 2006, 2007 and 2008 and the six months ended June 30, 2009, amounted to 6.03%, 7.40%, 7.12% and 6.42%, respectively, and our aggregate interest expenses on bank borrowings during the same periods amounted to Rmb 9.3 million, Rmb 22.6 million, Rmb 68.8 million and Rmb 35.9 million, respectively. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property developments. Please see the section entitled “Risk Factors — Risks Relating to Our Businesses — We may not have adequate capital resources to fund our land acquisitions and existing and future property developments” in this document.

When needs arise, we may also seek financing in the international capital market similar to our issue of the Convertible Bonds and Secured Notes, which may give us a longer maturity term but we may have to bear higher interest rates than bank or other commercial borrowings.

Fair Value of Investment Properties

Our investment properties include retail spaces in our commercial complexes held for rental income and/or for capital appreciation. We measure investment properties initially at cost. Our investment properties under construction continue to be measured at cost until the constructions are completed because we have concluded that the fair value of our investment properties under construction cannot be determined at a reasonably accurate level prior to their completion. Our completed investment properties are stated at their fair value on our consolidated balance sheets as non-current assets as of each balance sheet date on the basis of valuation by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated statement of comprehensive income, which may have a substantial effect on our results. Please see “— Critical Accounting Policies — Investment Properties.” We started to hold investment properties for rental purposes in December 2006. During 2006, 2007 and 2008 and the six months ended June 30, 2009, we recognized fair value gains on our investment properties in the amount of Rmb 121.1 million, Rmb 533.0 million, Rmb 856.0 million and Rmb 2.4 million, respectively, and the average rental per square meter was Rmb 62.0, Rmb 43.1,

FINANCIAL INFORMATION

Rmb 46.5 and Rmb 44.7, respectively. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we held a total GFA for lease of 6,436 square meters, 95,585 square meters, 104,875 square meters and 113,348 square meters, respectively.

During the Track Record Period, we aimed to sell all our residential properties and approximately half of our commercial properties while retaining the remaining half of our commercial properties for investment purposes. Our policy going forward is to generally continue our current practice with respect to properties for sale and properties for investment although we expect to retain a greater portion of our properties for investment in the future. Our policy on investment properties is, however, subject to our determination from time to time with respect to our overall financial position, results of operations and cash flow requirements at the relevant time. We will also take into account the integrity and efficiency in the operation and management of the commercial project, the attractiveness of the properties to the market and overall market conditions when we decide whether and how much to keep as investment properties. Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using the same or a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties in the relevant period and do not generate any cash inflow for our operations or potential dividend distribution to our equity holders. The amount of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may go down as well as up. We cannot assure you that similar levels of fair value gains can be sustained in the future.

Fluctuations in Our Results of Operations

Our results of operations tend to fluctuate from period to period. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 402.8 million, Rmb 1,025.8 million, Rmb 1,583.8 million and Rmb 1,294.3 million, respectively, and the profit attributable to equity holders of our Company for the same period was Rmb 117.4 million, Rmb 603.3 million, Rmb 932.7 million and Rmb 330.1 million, respectively. During the Track Record Period, our revenue was primarily generated from the sales of the properties we developed. The number of properties that we can develop or complete during any particular period is limited due to substantial capital requirements for land acquisition, planning, design and construction, limited land supplies and lengthy development periods before positive cash flows may be generated. We do not recognize revenue until we complete and deliver our properties. The development process is also subject to weather conditions and the coordination of various processes, such as availability of construction materials and the approval process of various government authorities. In addition, as we focus on developing comparatively large commercial complexes, selling prices of properties in such large scale property developments tend to increase as the overall development approaches completion and as construction and completion risk decreases for the purchasers. Seasonal variations have also caused fluctuations in our interim revenues and profits, including quarterly and semi-annual results. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

FINANCIAL INFORMATION

Product Mix

We have in the past retained certain portions of our commercial properties for long-term investment purposes, and intend in the future to retain an increasing portion of our commercial properties for recurring rental income and/or for capital appreciation. We have historically sold, and intend to continue to sell, our residential properties to purchasers for immediate cash flow. Accordingly, our results of operations and the source and amount of cash from our operations may vary significantly from period to period depending on the type of properties we sell or lease out. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from sales of properties amounted to Rmb 399.3 million, Rmb 982.7 million, Rmb 1,511.8 million and Rmb 1,255.6 million, respectively, with a gross profit margin, excluding the impact of intra-group transactions, of approximately 51%, 60%, 45% and 53%, respectively, during the Track Record Period.

We started to lease out our investment properties in December 2006 and had leased out a total GFA of 6,436 square meters as of December 31, 2006. As of June 30, 2009, our GFA leased out increased to 113,348 square meters. During 2006, 2007 and 2008 and the six months ended June 30, 2009, our rental income amounted to Rmb 0.2 million, Rmb 32.2 million, Rmb 53.3 million and Rmb 28.4 million, respectively, with a gross margin of approximately 71%, 80%, 68% and 83%, respectively. In addition, commercial properties generally command higher selling prices than residential properties, therefore the proportion of commercial and residential properties sold in any given period may also affect our revenue from period to period. Our results of operations and cash flows will also vary depending on the proportion of our investment properties held for lease and properties held for sale, as investment properties generate steady recurring income while properties for sale produce relatively larger influx of revenue.

Price Volatility of Construction Materials

Our results of operations are affected by price volatility of construction materials such as steel and cement. Cost of materials constitutes the most important item in our construction costs, and exceeds our construction labor cost and project design cost. Historically, for a substantial part of our purchases of construction materials, we used a centralized procurement process to help increase our negotiating power and lower our unit cost for construction materials. Going forward, as a result of changes to our procurement policy to enhance efficiency and project management, we will centralize our purchases of only steel and key equipment such as escalators, elevators and air conditioning units, and our contractors will be responsible for the procurement of cement under the construction contracts. Despite the efficiencies and pricing advantages of our volume purchases, any rising costs for construction materials will impact our cost of sales and overall project costs. As a result, fluctuations in the prices of our construction materials had, and will continue to have, a significant impact on our results of operations.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial information in accordance with HKFRS. The preparation of financial information in conformity with HKFRS requires us to make judgments, estimates and assumptions that affect:

- the reported amounts of our assets and liabilities at the end of each fiscal period;
- the disclosure of our contingent assets and liabilities at the end of each fiscal period; and

FINANCIAL INFORMATION

- the reported amounts of revenue and expenses during each fiscal period.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial information, you should consider:

- our selection of critical accounting policies;
- the judgment and other uncertainties affecting the application of such policies; and
- the sensitivity of reported results to changes in conditions and assumptions.

We believe the following accounting policies are the most significant or involve a higher degree of judgment and estimates used in the preparation of our consolidated financial information.

Investment Properties

We hold certain of completed properties for long-term rental yields or for capital appreciation or both, but not for our own occupation. These completed properties are classified as completed investment properties. The properties that are being constructed for investment purposes are classified as investment properties under construction. We measure investment properties initially at cost prior to their completion. In respect of investment properties under construction, if the fair values cannot be readily and reliably determined, they will be measured at cost until the fair values can be determined or construction is completed. We have concluded that the fair value of our investment properties under construction cannot be determined at a reasonably accurate level prior to their completion. Therefore, our investment properties under construction continue to be measured at cost until the constructions are completed. Completed investment properties are carried at fair value in our financial statements. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed periodically by independent valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair values of investment properties are recognized as “fair value gains/losses on investment properties” in our consolidated statement of comprehensive income.

FINANCIAL INFORMATION

The best evidence of fair value is the current prices in an active market for the properties with similar leases and other contracts. In the absence of such information, we determine the amount within a range of reasonable fair value estimates, which are based on information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- discounted cash flow projections based on estimates of future cash flows, derived from the terms of any existing leases and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Revenue Recognition

Our revenue primarily comprises proceeds from sales of properties that we develop, rental income generated from investment properties, income from our property management operations and income from other property related services. We recognize our revenue after the completed properties have been sold and delivered, with all relevant permits and certificates having been obtained and typically at the time when the risks and rewards of the property has been passed to the purchaser. Such revenue recognition is made on a property by property basis as we complete and deliver each property. Deposits received from pre-sales of properties are carried as advances from customers.

Properties under Development and Completed Properties Held for Sale

For accounting purposes, properties under development include only properties in respect of which we have obtained the relevant land use rights certificates and the relevant construction permits. Properties under development and completed properties for sale are stated at the lower of cost and net realizable value. Development cost of property mainly comprises construction costs, amortization of land use rights during the construction period, capitalized borrowing costs on qualifying assets and professional fees during the development period. Net realizable value for properties under development takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost of completion. Net realizable value for completed properties held for sale is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions. Significant estimates and judgment by management are therefore required in such cases to determine net realizable value. Land use rights before their amortization into properties under development are carried as land use rights in our consolidated balance sheets.

FINANCIAL INFORMATION

Borrowing Costs

We capitalize our borrowing costs as part of the cost of sales for a project to the extent that such costs are directly attributable to the acquisition and construction of such project. In general, we capitalize the borrowing costs incurred from the commencement of the construction upon receipt of the construction permit of the relevant project until the relevant project is ready for delivery. Borrowing costs incurred after the completion of the construction or otherwise not directly attributable to the acquisition and construction of such project are recorded on our consolidated statement of comprehensive income as finance costs in the period in which they are incurred.

Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where we and our subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

LAT

LAT is recognized as tax expense to the extent that it is probable that we have the obligation to pay such tax to the PRC tax authorities. When we pre-sell properties under development and receive advances from pre-sales of properties, we prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities. The actual LAT liabilities are, however, subject to the determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provision is sufficient to cover all actual LAT obligations as at each balance sheet date in respect of our past LAT liabilities. Our prepaid LAT is recorded as a part of "prepaid taxes" under current assets on our consolidated balance sheets. In 2006, we prepaid LAT at 1.0% to 2.0% of pre-sale of properties as required by the local tax authorities. In 2007, we prepaid LAT at 0.5% to 3.5% of pre-sale of properties as required by the local tax authorities. In 2008, we prepaid LAT

FINANCIAL INFORMATION

at 1.0% to 3.5% of pre-sale of properties as required by the local tax authorities. In the six months ended June 30, 2009, we prepaid LAT at 1.0% to 3.5% of pre-sale of properties as required by the local tax authorities. In 2006, 2007 and 2008 and the six months ended June 30, 2009, we made LAT prepayments of Rmb 13.0 million, Rmb 32.5 million, Rmb 57.0 million and Rmb 19.2 million, respectively. We also made LAT provision of Rmb 73.6 million, Rmb 199.4 million, Rmb 3.9 million and Rmb 144.1 million during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Provisions for unsettled LAT liabilities are recorded as a part of “income tax payables” on our consolidated balance sheets. Until the PRC government further clarifies its LAT regulations and enforces them on a uniform basis, our actual LAT liabilities will continue to be subject to a degree of uncertainty. We endeavor to make full provision for our LAT liability despite the current uncertainty.

Convertible Bonds and Secured Notes, Embedded Derivatives and Secured Bonds and Secured Notes

In December 2007, we issued the Convertible Bonds and Secured Notes. The Convertible Bonds and Secured Notes are denominated in Renminbi, to be settled in H.K. dollars, and are secured by our issued share capital, the issued share capital of BVI Powerlong and HK Powerlong as well as an escrow arrangement. The Convertible Bonds are convertible into our Shares. You may find additional information about these Convertible Bonds and Secured Notes in the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” and note (18) in the Accountants’ Report contained in Appendix I to this document.

We recognized the Convertible Bonds and Secured Notes as a number of embedded financial derivatives and a debt. Embedded financial derivatives consist of the fair value of the option of the holders of the Convertible Bonds to convert the Convertible Bonds into our Shares at the stipulated conversion price, the fair value of the option of the holders of the Convertible Bonds and Secured Notes to require us to redeem the Convertible Bonds and Secured Notes and the fair value of our option to redeem the Convertible Bonds. Because these embedded options are interdependent and mutually exclusive in their exercisability, they are not accounted for separately, but are instead recognized as a single compound derivative. The debt component consists of the residual amount after deducting the fair value of the derivative component from the net proceeds of Convertible Bonds and Secured Notes at the initial recognition. The debt component, net of transaction costs, is recorded as a liability and is subsequently carried at its amortized cost.

We obtained a valuation on the Convertible Bonds and Secured Notes from BMI Appraisals Limited, an independent valuer, on December 31, 2007 and June 30, 2008. BMI Appraisals Limited used the binomial model in its valuation of the embedded financial derivatives. Key assumptions and variables used in the model are as follows:

	<u>December 31, 2007</u>	<u>June 30, 2008</u>
Conversion price	Offer Price	Offer Price
Risk-free rate of interest	4.08%	3.84%
Dividend yield	1.00%	1.00%
Time to expiration	3 years	3 years
Volatility	49.44%	56.56%

FINANCIAL INFORMATION

The risk-free rate of interest adopted by BMI Appraisals Limited in its assumptions is approximated to the interest rate of PRC government bonds with maturity of three years. Because the conversion price of the Convertible Bonds is subject to adjustments for any future share dividend and asset distribution in accordance with their terms and conditions, BMI Appraisals Limited used a 1.00% dividend yield in determining the fair value of the embedded financial derivatives. This was based on our dividend yield and the dividend yield of peer companies. The volatility adopted by BMI Appraisals Limited for us as a private company was based on the average of the upper range between the industry volatility and peer companies' volatilities.

To determine the fair market value of the embedded financial derivatives requires us to make complex and subjective judgments regarding projected financial and operating results, our unique business risks, the liquidity of our various securities, and our operating history and prospects at respective commitment dates of the Convertible Bonds and Secured Notes. In addition, the value of embedded financial derivatives varies with different variables in the assumptions, which have been made by our Directors based on their best estimates.

The movement of the debt component and embedded financial derivatives of the Convertible Bonds and Secured Notes is set out in the table below.

	<u>Debt component</u>	<u>Embedded financial derivatives</u>	<u>Total</u>
	(Rmb in thousands)		
Convertible Bonds and Secured Notes issued on December 24, 2007	783,056	156,082	939,138
Interest charged	3,401	—	3,401
Less: reclassified to interest payables	<u>(2,033)</u>	<u>—</u>	<u>(2,033)</u>
As of December 31, 2007	784,424	156,082	940,506
Convertible Bonds and Secured Notes issued on January 4, 2008	61,372	12,084	73,456
Fair value loss on embedded financial derivatives	—	14,834	14,834
Interest charged	211,724	—	211,724
Less: reclassified to interest payables	(97,276)	—	(97,276)
Less: Partial redemption of principal	(269,901)	—	(269,901)
Restructure of Convertible Bonds and Secured Notes	<u>(690,343)</u>	<u>(183,000)</u>	<u>(873,343)</u>
As of December 31, 2008	<u>—</u>	<u>—</u>	<u>—</u>

The Convertible Bonds and Secured Notes were initially due to mature on September 30, 2008. On September 30, 2008, we reached an agreement with the Investors to refinance our obligations by redeeming some of the Convertible Bonds and Secured Notes with a total payment of HK\$350.0 million in cash and to amend the terms and conditions of the outstanding Convertible Bonds and Secured Notes. The key terms of the agreement became effective on September 30, 2008 and are summarized below:

- the Convertible Bonds in the aggregate principal amount of Rmb 127.7 million were redeemed on September 30, 2008;

FINANCIAL INFORMATION

- the Secured Notes in the aggregate principal amount of Rmb 142.2 million were redeemed on September 30, 2008;
- the right of holders of the Convertible Bonds to convert the Convertible Bonds into our Shares was cancelled and the Convertible Bonds were restructured into Secured Bonds; and
- the Secured Bonds with an outstanding principal amount of Rmb 330.9 million and the Secured Notes with an outstanding principal amount of Rmb 496.4 million, together with the accrued interests are to be repaid by installments on a monthly basis up to June 30, 2009.

During the period from October 31, 2008 to March 9, 2009, we redeemed Rmb 320.2 million in principal amount of the Secured Bonds and Secured Notes.

On April 9, 2009, we entered into a verbal agreement with the Investors. In consideration of a cash payment of HK\$150.0 million to redeem some of the Secured Bonds and Secured Notes, the Investors agreed to further amend the maturity, amortizing schedule and terms of the Secured Bonds and Secured Notes. On July 17, 2009, we renegotiated the terms of the verbal agreement and entered into a written agreement with the Investors. The key terms of the written agreement are summarized below:

- the annual rate of interest applicable to the Secured Bonds and Secured Notes is 25% per annum. The interest is payable on the date of principal repayment, calculated on a daily basis from (and including) April 9, 2009, until (and excluding) the date of principal repayment;
- all interest payments are calculated in Renminbi and are to be settled in equivalent H.K. dollars at a fixed exchange rate of Rmb 0.8772 to HK\$1.00; and
- the outstanding principal amount of the Secured Bonds and Secured Notes of Rmb 414.4 million together with the accrued interests should be repaid by installments on a monthly basis upto December 31, 2009.

FINANCIAL INFORMATION

The movement of the Secured Bonds and Secured Notes is set out in the table below.

	Secured Bonds and Secured Notes (Rmb in thousands)
As of January 1, 2008	—
Transfer from Convertible Bonds, Secured Notes and embedded financial derivatives.	873,343
Interest charged.	52,350
Less: principal repaid	(35,091)
Less: reclassified to interest payables	<u>(56,790)</u>
As of December 31, 2008	833,812
Interest charged.	62,080
Repayment of principal.	(457,614)
Reclassified to interest payables	<u>(23,308)</u>
As of June 30, 2009	<u><u>414,970</u></u>

The effective interest rate of the Secured Bonds and Secured Notes for the year ended December 31, 2008 and for the six months ended June 30, 2009 was 27.6%.

CERTAIN INCOME STATEMENT ITEMS

Revenue

We derived our revenue during the Track Record Period primarily from the sales of the properties that we developed. We recognize our revenue after the completed properties have been sold and delivered, with all relevant permits and certificates having been obtained and typically at the time when the risks and rewards of the property has been passed to the purchaser. Such revenue recognition is made on a property by property basis as we complete and deliver each property. As is customary in the PRC property industry, we pre-sell our properties prior to their completion in accordance with PRC pre-sale regulations. We do not, however, recognize the sales of properties until we have completed the construction of these properties and the properties have been delivered to the purchasers. Typically there is a time gap ranging from 10 to 24 months between the time we commence pre-sale of the properties under development and the delivery of the completed properties. We record the proceeds from the pre-sold properties as “advances from customers” under current liabilities on our consolidated balance sheets, and as “advances from customers” under “cash generated from operating activities” on our consolidated cash flow statements.

FINANCIAL INFORMATION

The table below sets forth, for the periods and projects indicated, the revenue, the total GFA of properties we delivered and the average selling prices per square meter for these properties, as measured by dividing the revenue by the aggregate GFA delivered.

	Year ended December 31,					Six months ended June 30,				
	2006		2007			2008		2008		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered (unaudited)	Average selling price	Revenue
	(Rmb in thousands)	(sq.m.)	(Rmb/sq.m.)	(Rmb in thousands)	(sq.m.)	(Rmb/sq.m.)	(Rmb in thousands)	(sq.m.)	(Rmb/sq.m.)	(Rmb in thousands)
Fuzhou Powerlong City Plaza										
Commercial	215,639	12,095	17,829	615,626	39,623	15,537	6,097	290	—	5,807
Residential	44,103	8,653	5,097	121,229	24,621	4,924	—	—	—	—
Quanzhou Anhui Powerlong Haoyuan										
Residential	128,899	50,509	2,552	—	—	—	—	—	—	—
Carparks	3,120	1,591	1,961	—	—	—	—	—	—	—
Suzhou Taicang Powerlong City Plaza										
Commercial	—	—	—	79,186	14,049	5,636	53,782	12,918	4,163	—
Residential	—	—	—	166,652	51,654	3,226	167,607	49,676	3,374	159,661
Quanzhou Jinjiang Powerlong Golden Jiayuan										
Commercial	4,005	906	4,421	—	—	—	—	—	—	—
Residential	3,540	1,285	2,755	—	—	—	—	—	—	—
Carparks	—	—	—	—	—	—	—	—	—	—
Tai'an Powerlong City Plaza										
Commercial	—	—	—	—	—	—	29,311	6,750	4,342	—
Residential	—	—	—	—	—	—	201,469	53,990	3,732	40,699
Car parks	—	—	—	—	—	—	4,370	858	5,093	—
Bengbu Powerlong City Plaza										
Commercial	—	—	—	—	—	—	167,961	15,222	11,034	127,817
Residential	—	—	—	—	—	—	334,761	97,525	3,433	159,533
Zhengzhou Powerlong City Plaza										
Commercial	—	—	—	—	—	—	378,549	24,848	15,235	100,517
Residential	—	—	—	—	—	—	86,290	15,197	5,678	—
Wuxi Powerlong City Plaza										
Commercial	—	—	—	—	—	—	19,069	1,115	17,102	—
Residential	—	—	—	—	—	—	62,494	8,885	7,034	—
Qingdao Powerlong City Plaza										
Commercial	—	—	—	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—	—	—	—
Total										
Commercial	219,644	13,001	16,894	694,812	53,672	12,946	654,769	61,143	10,709	281,392
Residential	176,542	60,447	2,921	287,881	76,275	3,774	852,621	225,273	3,785	359,893
Carparks	3,120	1,591	1,961	—	—	—	4,370	858	5,093	—
Total	<u>399,306</u>			<u>982,693</u>			<u>1,511,760</u>			<u>641,285</u>
										<u>1,255,624</u>

FINANCIAL INFORMATION

During the Track Record Period, approximately 93.0% of our commercial GFA delivered in 2006 was from Fuzhou Powerlong City Plaza; approximately 83.6% of our residential GFA delivered in 2006 was from Quanzhou Anhui Powerlong Haoyuan. Approximately 73.8% and 26.2% of our commercial GFA delivered in 2007 were from Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza, respectively, and approximately 32.3% and 67.7% of our residential GFA delivered in 2007 were from Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza, respectively. Approximately 40.6%, 24.9% and 21.1% of our commercial GFA delivered in 2008 were from Zhengzhou Powerlong City Plaza, Bengbu Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza, respectively, and approximately 43.3%, 24.0% and 22.1% of our residential GFA delivered in 2008 were from Bengbu Powerlong City Plaza, Tai'an Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza, respectively. Approximately 33.4% and 59.7% of our commercial GFA delivered in the six months ended June 30, 2009 were from Zhengzhou Powerlong City Plaza and Qingdao Powerlong City Plaza, respectively, and approximately 22.8% and 76.4% of our residential GFA delivered in the six months ended June 30, 2009 were from Bengbu Powerlong City Plaza and Qingdao Powerlong City Plaza, respectively.

Average selling prices for residential properties in each project remained largely constant between 2006 and 2008. In the six months ended June 30, 2009, the average selling prices for residential properties in Tai'an Powerlong City Plaza and Bengbu Powerlong City Plaza, respectively, was higher as compared to the six months ended June 30, 2008 primarily because we delivered mostly duplex apartments in these two projects in the six months ended June 30, 2009, which generally commanded higher selling prices than the single floor residential units are delivered in the same projects in the six months ended June 30, 2008.

Average selling prices for commercial properties in each project remained largely constant during the Track Record Period except our sales of commercial properties in Fuzhou Powerlong City Plaza, Suzhou Taicang Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza. The average selling prices for commercial properties in Fuzhou Powerlong City Plaza decreased from Rmb 17,829 per square meter in 2006 to Rmb 15,537 per square meter in 2007. The average selling price for commercial properties in Suzhou Taicang Powerlong City Plaza decreased from Rmb 5,636 per square meter in 2007 to Rmb 4,163 per square meter in 2008. The average selling price for commercial properties in Zhengzhou Powerlong City Plaza decreased from Rmb 16,739 per square meter in the six months ended June 30, 2008 to Rmb 10,213 per square meter in the six months ended June 30, 2009. The decreases in the average selling prices in Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza were primarily due to the sale of most of the more attractive shop units earlier in our sales campaign, and the sale of the remaining shop units thereafter. The decrease in the average selling prices in Zhengzhou Powerlong City Plaza was primarily due to the different locations of the shop units sold within the project. Average selling prices for commercial properties in Bengbu Powerlong City Plaza increased to Rmb 12,866 in the six months ended June 30, 2009 from Rmb 10,390 in the six months ended June 30, 2008, primarily because a substantial portion of the commercial properties we delivered in the six months ended June 30, 2009 are well positioned within the project and generally commanded higher selling prices than the commercial properties we delivered in the six months ended June 30, 2008.

FINANCIAL INFORMATION

The table below sets forth, for the periods indicated, our revenue from property sales by project and revenue from other sources.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
	(Rmb in millions)				
Sales of properties					
Fuzhou Powerlong City Plaza	259.7	736.9	6.1	—	5.8
Quanzhou Anhui Powerlong Haoyuan . . .	132.0	—	—	—	—
Suzhou Taicang Powerlong City Plaza.	—	245.8	221.4	212.7	—
Jinjiang Powerlong Golden Jiayuan	7.6	—	—	—	—
Tai'an Powerlong City Plaza	—	—	235.2	40.7	5.4
Bengbu Powerlong City Plaza	—	—	502.7	287.4	146.8
Zhengzhou Powerlong City Plaza	—	—	464.8	100.5	241.0
Wuxi Powerlong City Plaza	—	—	81.6	—	—
Qingdao Powerlong City Plaza	—	—	—	—	856.6
Sub-total	399.3	982.7	1,511.8	641.3	1,255.6
Property management services	3.0	7.9	16.0	7.0	10.3
Rental income of investment properties	0.2	32.2	53.3	24.5	28.4
Other Income	0.3	3.1	2.8	2.3	—
Total	402.8	1,025.8	1,583.8	675.1	1,294.3

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was primarily generated from sales of our developed properties, which amounted to approximately 99.1%, 95.8%, 95.5% and 97.0% of our revenue, respectively. Revenue from property management services, rental income from investment properties and other income remained relatively insignificant in our overall revenue stream, although our rental income from investment properties increased substantially during the Track Record Period.

FINANCIAL INFORMATION

Cost of Sales

Cost of sales comprises primarily costs incurred directly for our property development, including land acquisition costs, construction costs, capitalized interest expenses, business tax and other levies. The table below sets forth the breakdown by these categories of our cost of sales for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(Rmb in millions)	(% of cost of sales)	(Rmb in millions)	(% of cost of sales)	(Rmb in millions)	(% of cost of sales)	(unaudited) (Rmb in millions)	(% of cost of sales)	(Rmb in millions)	(% of cost of sales)
Land acquisition costs	34.9	18	66.4	16	160.4	18	54.9	13	131.8	22
Construction costs	133.5	68	271.3	66	594.1	68	301.6	74	386.4	63
Subtotal	168.4	86	337.7	82	754.5	87	356.5	87	518.2	85
Business tax and other levies	24.9	13	60.0	14	82.3	9	35.6	9	66.4	11
Capitalized interest expenses	0.5	—	7.8	2	17.2	2	9.2	2	13.7	2
Others	2.6	1	7.4	2	15.0	2	7.1	2	11.0	2
Total	196.4	100	412.9	100	869.1	100	408.4	100	609.3	100

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premium, other land-related taxes and government surcharges, and relocation and resettlement cost. In addition to PRC economic development and property market conditions, our land acquisition costs are affected by the location of the property projects and the timing of acquisition. In 2006, 2007 and 2008, our average land acquisition costs per square meter of GFA were Rmb 475.0, Rmb 511.4 and Rmb 558.5, respectively, as measured by dividing the aggregate land costs recognized in our consolidated statement of comprehensive income by the total GFA of properties delivered within these periods. The corresponding figures for the six months ended June 30, 2008 and 2009 were Rmb 384.0 and Rmb 732.9, respectively.

Land acquisition costs, as part of the cost of sales, are recognized upon the completion and delivery of relevant properties to the purchasers. In 2006, we sold and delivered most of our completed properties in Fuzhou and Quanzhou; in 2007, we sold and delivered most of our completed properties in Taicang and Fuzhou; in 2008, we sold and delivered most of our completed properties in Bengbu, Zhengzhou, Taicang and Tai’an; and in the six months ended June 30, 2009, we sold and delivered most of our completed projects in Qingdao, Zhengzhou and Tai’an. In addition, land costs increased as competition for land increased as a result of the rapidly growing real estate industry in China during the Track Record Period.

FINANCIAL INFORMATION

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs were affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. For instance, the price for steel in China increased by approximately 70% in 2007 as compared to 2006, and declined by approximately 17% in 2008 as compared to 2007. The price of steel in China further decreased by approximately 7% in the six months ended June 30, 2009 as compared to 2008. The price fluctuation in construction materials during the Track Record Period affected our construction costs and our gross profit margin. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, were accounted for as part of the contractor fees upon settlement with the relevant contractors. A portion of our properties completed and delivered in 2006, 2007 and 2008 and the six months ended June 30, 2009 were interior-furnished units, which also generated more construction costs than non-interior, furnished units, although interior-furnished units tend to fetch higher selling prices.

Business tax and other levies. We include business tax and other levies such as city development tax and education supplementary tax as part of our cost of sales.

Capitalized interest. We capitalize our borrowing costs as part of the cost of sales for a project to the extent that such costs are directly attributable to the acquisition or construction of such project. See “— Critical Accounting Policies — Borrowing Costs.”

We incurred a substantial amount of interest expenses in relation to our bank borrowings, Convertible Bonds and Secured Notes, as well as Secured Bonds and Secured Notes during the Track Record Period and we capitalized a large portion of these interest expenses. In particular, we incurred total interest expenses of Rmb 329.6 million in relation to our Convertible Bonds and Secured Notes, as well as Secured Bonds and Secured Notes during the Track Record Period, of which Rmb 294.6 million had been capitalized. These capitalized interest expenses were recorded as part the development costs of the properties held for development in Suqian, Yantai, Xinxiang, Yancheng, Licang and Changzhou which we acquired using the proceeds from the issuance of the Convertible Bonds and Secured Notes. These capitalized interest expenses had no impact on our financial position during the Track Record Period as they were not capitalized under the properties which we delivered or expect to deliver in 2009. Going forward, we expect to recognize such capitalized interest expenses as cost of sales progressively according to our project completion and delivery schedule. We do not expect these capitalized interest expenses to have any material adverse impact on our gross profit margin or financial position.

FINANCIAL INFORMATION

The table below sets forth, for the periods indicated, our cost of sales by project and by business segment.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
	(Rmb in millions)				
Property development					
Fuzhou Powerlong City Plaza	85.5	253.5	1.0	—	1.0
Quanzhou Anhui Powerlong Haoyuan . . .	100.8	—	—	—	—
Suzhou Taicang Powerlong City Plaza.	—	141.6	186.3	193.9	—
Jinjiang Powerlong Golden Jiayuan	4.8	—	—	—	—
Tai'an Powerlong City Plaza	—	—	192.2	41.5	6.9
Bengbu Powerlong City Plaza	—	—	272.4	138.1	85.8
Zhengzhou Powerlong City Plaza	—	—	149.2	26.1	86.2
Wuxi Powerlong City Plaza	—	—	32.3	—	—
Qingdao Powerlong City Plaza	—	—	—	—	416.4
Sub-total	191.1	395.1	833.4	399.6	596.3
Property management services	1.6	5.6	10.4	3.9	8.2
Property investment	0.1	6.3	16.4	4.6	4.8
Other services	3.6	5.9	8.9	0.3	—
Total	196.4	412.9	869.1	408.4	609.3

During the Track Record Period, we incurred most of our cost of sales in the property development segment. Cost of sales for the segments of property management services, property investment and other related services remained relatively insignificant in our overall cost of sales. Our cost of sales generally increased during the Track Record Period as our business operations expanded.

FINANCIAL INFORMATION

Fair Value Gains on Investment Properties

We hold certain properties such as retail units in our commercial complexes for recurring rental income and/or capital appreciation. Our investment properties are revalued periodically on an open market value or existing use basis by an independent property valuer using the investment method. This method is appropriate for valuing investment properties as it is able to reflect the value of property during the lease period of the property. Any appreciation or depreciation in our investment property value is recognized as a fair value gain or loss in our consolidated statement of comprehensive income. We started to hold investment properties toward December 2006 when we completed the ground floor of Fuzhou Powerlong City Plaza and decided to hold more investment properties when we completed the whole project in 2007. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we held completed investment properties with a total leasable GFA of 6,436 square meters, 103,408 square meters, 205,829 square meters and 205,022 square meters, respectively. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we recognized fair value gains on our investment properties in the amount of Rmb 121.1 million, Rmb 533.0 million, Rmb 856.0 million and Rmb 2.4 million, respectively. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets. Since we measure our investment properties under construction at cost until the constructions are completed, the construction progress of our investment properties can also materially affect the change in fair values of investment properties. See “— Critical Accounting Policies — Fair Value of Investment properties” and “— Certain Balance Sheet Items — Investment Properties”.

Selling and Marketing Costs

Selling and marketing costs comprise primarily advertising and promotion expenses, sales commissions and other expenses relating to the marketing and sales of our properties, including salaries for our sales and marketing personnel, advertisement on television and in newspapers, magazines and on billboards.

Administrative Expenses

Administrative expenses comprise primarily administrative staff costs, depreciation, amortization, land use tax and charitable contributions.

Fair Value Losses on Embedded Financial Derivatives

In December 2007, we issued the Convertible Bonds and Secured Notes totaling Rmb 939.1 million to the Investors pursuant to a subscription agreement dated December 14, 2007. The Convertible Bonds consisted of a debt component and a financial derivative component. The financial derivatives consisted of the embedded options. We engaged an independent third-party appraiser to assist us in determining the fair value of these embedded financial derivatives. The determination of fair value of the embedded financial derivatives was made after consideration of a number of factors, including conversion price, risk-free interest rate, dividend yield, expiration time and volatility. In September 2008, we restructured our Convertible Bonds into Secured Bonds and removed the conversion features attaching to the Convertible Bonds. As a result, the embedded financial derivatives ceased to exist in the six months ended June 30, 2009.

FINANCIAL INFORMATION

Finance Costs

Finance costs comprise primarily interest expenses on bank borrowings, the Convertible Bonds and Secured Notes, the Secured Bonds and the Secured Notes, net of capitalized interest relating to properties under development. See “— Critical Accounting Policies — Borrowing Costs” above. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

Income Tax

Income tax comprises primarily PRC corporate income tax and LAT. The PRC corporate income tax rate generally levied in China was 33% of taxable income before January 1, 2008. There are preferential income tax treatments available to eligible companies pursuant to relevant national or local regulations. As Xiamen is designated by the PRC government as a special economic zone in China, all our enterprises registered in Xiamen paid corporate income tax at a reduced rate of 15% prior to January 1, 2008.

Effective since January 1, 2008, PRC companies are subject to the new national corporate income tax of 25% unless the company qualifies under certain limited exceptions pursuant to the new PRC Corporate Income Tax Law adopted by the National People’s Congress in March 2007. As a result of this regulatory change, we may not continue to receive the tax concession currently enjoyed by our Xiamen registered subsidiaries. As there is a five-year transition period to phase in the new 25% corporate income tax rate, the corporate income tax rate applicable to our Xiamen registered subsidiaries was 18% in 2008, and will be 20% in 2009, 22% in 2010; 24% in 2011 and 25% in 2012. We did not provide for any Hong Kong profits tax as we had no business operations in Hong Kong during the Track Record Period. Our property developments are subject to LAT. We make LAT provisions based on our calculation in accordance with relevant government regulations.

The following table sets forth our provisions for corporate income tax and LAT for the periods indicated.

	Year ended December 31,			Six months ended	
	2006	2007	2008	June 30,	
				2008	2009
				(unaudited)	
	(Rmb in thousands)				
Current tax					
PRC corporate income					
tax	28,009	115,741	135,121	40,039	116,619
LAT	73,598	199,438	3,945	30,684	144,147
Deferred income tax					
PRC corporate income					
tax	28,134	106,203	206,247	8,665	(6,347)
Total	129,741	421,382	345,313	79,388	254,419

FINANCIAL INFORMATION

Because of the increases in our gross profits in 2007 over 2006 and in 2008 over 2007, we made greater total PRC corporate income tax provisions in 2007 and 2008. During the Track Record Period, our projects under development in Henan Province, Anhui Province and Jiangsu Province were subject to LAT calculated on the basis of a fixed rate (ranging from 0.5% to 3.5%) of the proceeds from sales of properties, depending on the city where the relevant project company was located and the types of properties under development, in accordance with the taxation methods approved by the local tax authorities. With respect to our other projects in Fujian Province and Shandong Province, LAT is levied at progressive rates ranging from 30% to 60% on the appreciated value of the land. Our PRC legal counsel, Jingtian & Gongcheng, has confirmed that, during the Track Record Period, we were in compliance with the relevant PRC tax laws in using the respective taxation methods to calculate LAT for these projects as such methods were approved by the local tax authorities, which are authorized to adopt and implement the taxation methods in determining LAT liabilities in their jurisdictions pursuant to the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題的通知》 issued by the State Tax Bureau. For more information, please see the section entitled “Taxation — Mainland China Taxation — Our operations in mainland China — Land appreciation tax” in Appendix V to this document.

The following table sets forth our weighted average applicable PRC corporate income tax rate and their calculation for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(unaudited)				
	(Rmb in thousands, except percentages)				
Operating profit before income tax	252,782	1,028,123	1,282,629	133,835	582,987
Calculated at applicable PRC corporate income tax rate	80,430	297,414	327,975	43,409	146,309
Effect of expenses not deductible for income tax	—	—	14,379	12,966	—
PRC LAT deductible for PRC corporate income tax purposes.	(24,287)	(65,815)	(986)	(7,671)	(36,037)
Effect of tax rate change.	—	(9,655)	—	—	—
	56,143	221,944	341,368	48,704	110,272
PRC LAT.	<u>73,598</u>	<u>199,438</u>	<u>3,945</u>	<u>30,684</u>	<u>144,147</u>
	<u>129,741</u>	<u>421,382</u>	<u>345,313</u>	<u>79,388</u>	<u>254,419</u>
The weighted average applicable PRC corporate income tax rate	32%	29%	26%	32%	25%

FINANCIAL INFORMATION

The fluctuation of our weighted average applicable PRC corporate income tax rate over the Track Record Period was primarily the result of a change in the profitability of our subsidiaries in the respective tax jurisdictions and reflected the length of time it generally took to complete a property development project, especially large projects such as Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza. As a result, during this period, we did not incur significant corporate income tax and LAT charges. We expect to settle with the relevant tax authorities our corporate income tax and LAT liabilities with respect to Fuzhou Powerlong City Plaza in the third quarter of 2010 and Suzhou Taicang Powerlong City Plaza in the fourth quarter of 2010. We intend to settle these income tax and LAT liabilities by using sales proceeds from our completed projects and the rental income from our investment properties. The fluctuation was partially caused by a reduction of the applicable income tax rate for the fair value gains on our investment properties from 33% in 2007 to 25% in 2008 in accordance with the new PRC Corporate Income Tax Law. In addition, the decrease of the weighted average applicable PRC corporate income tax rate in 2008 as compared to 2007 and 2006 was also attributable to the different taxation methods adopted in calculating the LAT provisions for our projects in different provinces.

Minority Interests

Minority interests represent our profit or loss after taxation that is attributable to minority equity holders of our subsidiaries. The following table sets forth the minority interests during the periods specified.

	Year ended December 31,						Six months ended June 30,			
Company	2006		2007		2008		2008		2009	
	(unaudited)									
	(Rmb in thousands, except percentages)									
Quanzhou Baohua . .	1,567	9.5%	(16)	—*	—	—	—	—	—	—
Bairun Consulting. . .	692	30.0%	1,839	29.0%	2	29.0%	26	29.0%	242	29.0%
Powerlong Design . .	217	20.0%	117	20.0%	(285)	20.0%	(84)	20.0%	(197)	20.0%
Powerlong										
Decoration	2,967	30.0%	924	30.0%	(1,010)	—	(1,126)	—	—	—
Fuzhou Powerlong										
Commercial	(29)	7.0%	9	—*	—	—	—	—	—	—
Wuxi Powerlong . . .	(87)	30.0%	(965)	20.0%	5,424	20.0%	(340)	20.0%	(1,540)	20.0%
Jinjiangguo Consulting	356	45.0%	1,479	29.0%	527	29.0%	313	29.0%	(5)	29.0%
Xiamen Original										
Design	—	—	13	29.0%	—	29.0%	—	29.0%	—	29.0%
Henan Hualong										
Commercial	—	—	(1)	—*	—	—	—	—	—	—
Bengbu Powerlong										
Commercial	—	—	1	—*	—	—	—	—	—	—
Total	5,683		3,400		4,658		(1,211)		(1,500)	

Note:

* Less than 0.1%

FINANCIAL INFORMATION

CERTAIN FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the date or for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	

Profitability ratio

Return on equity (%)	<u>16.3</u>	<u>57.5</u>	<u>46.4</u>	<u>4.9</u>	<u>14.1</u>

	Year ended December 31,			Six months ended June 30, 2009
	2006	2007	2008	

Liquidity ratios

Current ratio (times)	0.82	0.78	0.87	0.89
Quick ratio (%)	<u>39.0</u>	<u>42.7</u>	<u>31.4</u>	<u>34.8</u>

Capital adequacy ratio

Gearing ratio (%)	<u>3.8</u>	<u>24.6</u>	<u>22.7</u>	<u>15.4</u>

Return on Equity

Return on equity is net profit attributable to our equity holders divided by total equity attributable to our equity holders and multiplied by 100%.

In 2007, our return on equity ratio improved as a result of our sales of properties with higher margin such as Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza as well as the revaluation gains of our investment properties in Fuzhou Powerlong City Plaza. In 2008, our return on equity ratio decreased primarily due to the increased equity as a result of accumulated retained earnings in 2008, while the net profit margin remained relatively constant in 2007 and 2008. Our return on equity ratio increased in the six months ended June 30, 2009 as compared to that in the six months ended June 30, 2008 primarily due to an increase in revenue from our sales of properties, as well as higher margin of the properties sold.

Current Ratio

Current ratio is current assets divided by current liabilities. The increase in current ratio in 2008 as compared with that in 2007 and 2006 was primarily due to the greater increase in current assets compared with current liabilities as of December 31, 2008. The increase in current assets in 2008 was primarily due to the increased development of properties for sale and the increased completed properties held for sale. Our current ratio as of December 31, 2008 and June 30, 2009 remained largely constant.

FINANCIAL INFORMATION

Quick Ratio

Quick ratio is current assets after subtraction of our inventories, including our completed properties held for sale, properties under development and land use rights included in our current assets, and divided by our current liabilities.

The lower quick ratio in 2008 compared with that in 2007 and 2006 was primarily due to (i) a significant increase in our inventories in 2008 mainly as a result of our utilization of the proceeds from the issuance of the Convertible Bonds and Secured Notes for land acquisition and construction work in respect of various property projects and an increase in completed properties held for sale in 2008 compared to 2007 and 2006; and (ii) an increase in the amount of borrowings due within one year. The increase in the quick ratio as of June 30, 2009 compared with that as of December 31, 2008 was primarily due to an increase in cash and prepayment made to our related parties in connection with the acquisition of certain properties in Mingfa Centre.

Gearing Ratio

Gearing ratio equals total borrowings (including current and non-current borrowings, Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes as shown in the consolidated balance sheet) divided by total assets and multiplied by 100%. In 2007, the significant increase in our gearing ratio was mainly due to (i) the increase in our bank borrowings by Rmb 631.3 million from 2006 to 2007; and (ii) our issuance of Convertible Bonds and Secured Notes in 2007 to finance the development of our new projects. In 2008, the decrease in our gearing ratio was primarily attributable to (i) an increase in investment properties as we added certain commercial properties in Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza to our investment property portfolio; and (ii) an increase in land use rights, properties under development, completed properties held for sale and trade and other receivables in accordance with our enlarged scale of property development. In the six months ended June 30, 2009, the decrease in our gearing ratio as compared to that in 2008 was primarily attributable to our repayment of the Secured Bonds and Secured Notes in the principal amount of Rmb 457.6 million.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The table below summarizes our consolidated results in absolute terms and as a percentage of our revenue for the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
(unaudited)										
(Rmb in millions, except percentages data)										
Revenue	402.8	100.0%	1,025.8	100.0%	1,583.8	100.0%	675.1	100.0%	1,294.3	100.0%
Cost of sales	(196.4)	(48.8%)	(412.9)	(40.2%)	(869.1)	(54.9%)	(408.4)	(60.5%)	(609.3)	(47.1%)
Gross profit	206.4	51.2%	612.9	59.8%	714.7	45.1%	266.7	39.5%	685.0	52.9%
Fair value gains on investment properties . .	121.1	30.1%	533.0	52.0%	856.0	54.1%	12.0	1.8%	2.4	0.1%
Selling and marketing costs	(21.8)	(5.4%)	(57.9)	(5.6%)	(60.9)	(3.8%)	(22.1)	(3.3%)	(26.3)	(1.6%)
Administrative expenses . .	(53.0)	(13.2%)	(50.8)	(5.0%)	(140.9)	8.9%	(67.2)	(10.0%)	(75.9)	(5.9%)
Other losses — net	—	—	(5.7)	(0.6%)	(37.8)	(2.4%)	(9.4)	(1.4%)	0.5	—
Operating profit	252.7	62.7%	1,031.5	100.6%	1,331.1	84.0%	180.0	26.7%	585.7	45.3%
Fair value losses on embedded financial derivatives	—	—	—	—	(14.8)	(0.9%)	(14.8)	(2.2%)	—	—
Finance costs	—	—	(3.4)	(0.4%)	(33.7)	(2.1%)	(31.3)	(4.6%)	(2.7)	(0.2%)
Profit before income tax .	252.7	62.7%	1,028.1	100.2%	1,282.6	81.0%	133.8	19.8%	583.0	45.0%
Income tax	(129.7)	(32.2%)	(421.4)	(41.1%)	(345.3)	(21.8%)	(79.4)	(11.8%)	(254.4)	(19.7%)
Profit for the year/period	123.0	30.5%	606.7	59.1%	937.3	59.2%	54.4	8.1%	328.6	25.4%
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year/ period	123.0	30.5%	606.7	59.1%	937.3	59.2%	54.4	8.1%	328.6	25.4%
Attributable to:										
Owners of the Company . .	117.4	29.1%	603.3	58.8%	932.7	58.9%	55.7	8.2%	330.1	25.5%
Minority interests	5.6	1.4%	3.4	0.3%	4.7	0.3%	(1.2)	(0.2%)	(1.5)	(0.1%)
	123.0	30.5%	606.7	59.1%	937.3	59.2%	54.4	8.1%	328.6	25.4%
Basic and diluted earnings per share for profit attributable to our equity holders during the year (expressed in Rmb per share)	Not applicable		Not applicable		0.31		0.02		0.11	
Dividend	—		32.9		—		—		—	

FINANCIAL INFORMATION

Business Segments

We are organized into four business segments:

- Property development;
- Property management services;
- Property investment; and
- Other services related to property development, namely, decoration services provided by Powerlong Decoration.

The following table illustrates our revenue by business segment for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
				(Rmb in millions)	
Property development.	399.3	982.7	1,511.8	641.3	1,255.6
Property management services	3.0	7.9	16.0	7.0	10.3
Property investment	0.2	32.2	53.3	24.5	28.4
Others.	0.3	3.1	2.8	2.3	—
Total.	402.8	1,025.8	1,583.8	675.1	1,294.3

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenue. Our revenue increased by Rmb 619.2 million, or 91.7%, to Rmb 1,294.3 million for the six months ended June 30, 2009 from Rmb 675.1 million for the six months ended June 30, 2008. The increase was primarily attributable to an increase of Rmb 614.3 million in our sales of property and an increase of Rmb 3.9 million in revenue from our property investment.

- *Property Development.* Our revenue generated from property development increased by Rmb 614.3 million, or 95.8%, to Rmb 1,255.6 million in the six months ended June 30, 2009 from Rmb 641.3 million in the six months ended June 30, 2008. The increase was primarily due to the total GFA we delivered in June 30, 2009 of approximately 179,805 square meters as compared to 143,188 square meters in June 30, 2008. Major projects completed and delivered in the six months ended June 30, 2009 included Qingdao Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza. GFA sold increased by 25.6% and the average selling price on our delivered properties increased by 55.9% to Rmb 6,983 per square meter in the six months ended June 30, 2009 from Rmb 4,479 per square meter in the six months ended June 30, 2008.
- *Property Management Services.* Our revenue generated from property management services increased by Rmb 3.3 million, or 47.1%, to Rmb 10.3 million in the six months ended June 30, 2009 from Rmb 7.0 million in the six months ended June 30,

FINANCIAL INFORMATION

2008. The increase was primarily due to the additional management fees that we received from our property management services for commercial properties delivered in Fuzhou Powerlong City Plaza in the six months ended June 30, 2009.

- **Property Investment.** Our revenue generated from property investment increased by Rmb 3.9 million, or 16.1%, to Rmb 28.4 million in the six months ended June 30, 2009 from Rmb 24.5 million in the six months ended June 30, 2008. The increase was primarily due to the additional rental income derived from the commercial properties in Zhengzhou Powerlong City Plaza and a greater number of commercial properties in Fuzhou Powerlong City Plaza that were leased out in the six months ended June 30, 2009.
- **Others.** Our revenue generated from other areas was Rmb 2.3 million in the six months ended June 30, 2008. There was no revenue generated from other areas in the six months ended June 30, 2009.

Cost of sales. Our cost of sales increased by Rmb 200.9 million, or 49.2%, to Rmb 609.3 million in the six months ended June 30, 2009 from Rmb 408.4 million in the six months ended June 30, 2008. The increase was primarily due to an increase in the total GFA completed and sold in the six months ended June 30, 2009 as compared to the six months ended June 30, 2008.

Gross profit. Our gross profit increased by Rmb 418.3 million, or 156.9%, to Rmb 685.0 million in the six months ended June 30, 2009 from Rmb 266.7 million in the six months ended June 30, 2008. Our gross profit margin increased to 52.9% in the six months ended June 30, 2009 from 39.5% in the six months ended June 30, 2008, primarily due to the increased proportion of commercial GFA in the total delivered GFA in the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. We delivered commercial GFA of approximately 70,710 square meters, or approximately 39.4% of our total delivered GFA, in the six months ended June 30, 2009, and we delivered commercial GFA of approximately 31,272 square meters, or approximately 25.6% of our total delivered GFA, in the six months ended June 30, 2008. The significant increase in our delivered commercial GFA had an increasing effect on our gross profit margin in the six months ended June 30, 2009.

Fair value gains on investment properties. Fair value gains on our investment properties decreased by Rmb 9.6 million, or 80.0%, to Rmb 2.4 million in the six months ended June 30, 2009 from Rmb 12.0 million in the six months ended June 30, 2008. The decrease was primarily due to the lack of addition of commercial properties to our completed investment properties portfolio in the six months ended June 30, 2009. In addition, a number of our investment properties were measured at cost and not at fair value as they were still under construction during the same period. For more information on the accounting policies of our investment properties, please see “— Critical Accounting Policies — Investment Properties.”

Finance costs. Our finance costs decreased by Rmb 28.6 million, or approximately 91.3%, to Rmb 2.7 million in the six months ended June 30, 2009 from Rmb 31.3 million in the six months ended June 30, 2008, primarily because we capitalized a higher proportion of borrowing costs in relation to our property development projects in the six months ended June 30, 2009.

FINANCIAL INFORMATION

Selling and marketing expenses. Our selling and marketing expenses increased by Rmb 4.2 million, or 19.0%, to Rmb 26.3 million in the six months ended June 30, 2009 from Rmb 22.1 million in the six months ended June 30, 2008. The increase was primarily due to an increase in sales and marketing staff costs and an increase in advertising and marketing costs as a result of the sale of properties in Wuxi Powerlong City Plaza and Qingdao Powerlong City Plaza.

Administrative expenses. Our administrative expenses increased by Rmb 8.7 million, or 12.9%, to Rmb 75.9 million in the six months ended June 30, 2009 from Rmb 67.2 million in the six months ended June 30, 2008. The increase was primarily due to an increase in staff costs and administrative expenses incurred in relation to the preparation for development of our newly acquired land in Suqian, Licang, Yantai, Xinxiang and Yancheng for development.

Other gains and losses (net). Our other gains (net) in the six months ended June 30, 2009 were Rmb 0.5 million, primarily due to the combined effects of the following:

- Foreign exchange gains of Rmb 3.6 million derived from cash at bank denominated in H.K. dollars; and
- Loss of Rmb 3.1 million in relation to the disposal of certain investment properties in Fuzhou Powerlong City Plaza to a third party.

Income tax. Our tax expenses increased by Rmb 175.0 million, or 220.5%, to Rmb 254.4 million in the six months ended June 30, 2009 from Rmb 79.4 million in the six months ended June 30, 2008. Our tax expenses in the six months ended June 30, 2009 primarily related to our projects in Qingdao, Zhengzhou and Bengbu while our tax expenses in the six months ended June 30, 2008 primarily related to our projects in Zhengzhou and Suzhou Taicang.

Profit for the year/period. Our profit for the year/period increased by Rmb 274.1 million, or 503.5%, to Rmb 328.6 million in the six months ended June 30, 2009 from Rmb 54.4 million in the six months ended June 30, 2008.

Minority interest. Our minority equity holders shared losses in the six months ended June 30, 2009 and 2008. Losses shared by minority interests increased by Rmb 0.3 million, or 23.9%, to Rmb 1.5 million in the six months ended June 30, 2009 from Rmb 1.2 million in the six months ended June 30, 2008. The increase in the losses attributable to minority interests in the six months ended June 30, 2009 compared to the six months ended June 30, 2008 was primarily due to the losses shared by minority equity holders of Wuxi Powerlong due to the initial capital outlay and administrative costs incurred prior to the delivery of completed properties.

Profit attributable to our equity holders increased by Rmb 274.4 million, or 493.0%, to Rmb 330.1 million in the six months ended June 30, 2009 from Rmb 55.7 million in the six months ended June 30, 2008.

FINANCIAL INFORMATION

2008 Compared to 2007

Revenue. Our revenue increased by Rmb 558.0 million, or 54.4%, to Rmb 1,583.8 million in 2008 from Rmb 1,025.8 million in 2007. This increase in revenue was primarily due to an increase of Rmb 529.1 million in sales of properties and an increase of Rmb 21.1 million in revenue from our property investment.

- *Property Development.* Our revenue from sales of properties increased by Rmb 529.1 million, or 53.8%, to Rmb 1,511.8 million in 2008 from Rmb 982.7 million in 2007. This increase was primarily due to an increase of approximately 157,327 square meters of GFA we delivered in 2008 as compared to 2007. The increase in delivered GFA was a result of more properties completed and delivered during 2008, including Bengbu Powerlong City Plaza, Tai'an Powerlong City Plaza, Suzhou Taicang Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Wuxi Powerlong City Plaza. The increase of 120.9% in the total GFA delivered was partially offset by a decrease of 30.4% in the average selling price of our delivered properties to Rmb 5,262 per square meter in 2008 from Rmb 7,557 per square meter in 2007. The proportion of residential GFA in our total delivered GFA in 2008 increased significantly. As residential properties generally command lower selling prices than commercial properties, a significant increase in our delivered residential GFA had the effect of reducing the average selling prices in 2008.
- *Property Management Services.* Our revenue generated from property management services increased by Rmb 8.1 million, or 103.0%, to Rmb 16.0 million in 2008 from Rmb 7.9 million in 2007. The increase was primarily due to the additional management fees that we received from our property management services for residential properties and commercial properties delivered in 2008.
- *Property Investment.* Our revenue generated from property investment increased by Rmb 21.1 million, or 65.4%, to Rmb 53.3 million in 2008 from Rmb 32.2 million in 2007. The increase was primarily due to the additional rental income derived from the commercial properties in Zhengzhou Powerlong City Plaza and a greater number of commercial properties in Fuzhou Powerlong City Plaza that were leased out in 2008.
- *Others.* Our revenue generated from other areas decreased by Rmb 0.3 million, or 9.9%, to Rmb 2.8 million in 2008 from Rmb 3.1 million in 2007, primarily due to a decrease in the decoration services provided by Powerlong Decoration in 2008.

Cost of sales. Our cost of sales increased by Rmb 456.2 million, or 110.5%, to Rmb 869.1 million in 2008 from Rmb 412.9 million in 2007. The increase was primarily due to an increase in total GFA delivered in 2008 as compared to 2007. The average land cost in 2008 was Rmb 558.5 per square meter as compared to Rmb 511.4 per square meter in 2007. The increase in the average land cost per square meter in 2008 was primarily attributable to the completion and delivery of properties in Tai'an Powerlong City Plaza, which has the relatively higher land costs.

Gross profit. Our gross profit increased by Rmb 101.8 million, or 16.6%, to Rmb 714.7 million in 2008 from Rmb 612.9 million in 2007. Our gross profit margin decreased to 45.1% in 2008 from 59.8% in 2007, primarily due to the increased proportion of residential GFA in the total delivered GFA in 2008 as compared to 2007. We delivered residential GFA of approximately 225,273 square meters, or approximately 78.4% of our total delivered GFA, in

FINANCIAL INFORMATION

2008, and we delivered residential GFA of approximately 76,275 square meters, or approximately 58.7% of our total delivered GFA, in 2007. The significant increase in our delivered residential GFA had a decreasing effect on our gross profit margin in 2008.

Fair value gains on investment properties. Fair value gains on our investment properties increased by Rmb 323.0 million, or 60.6%, to Rmb 856.0 million in 2008 from Rmb 533.0 million in 2007. The increase was primarily due to the addition of certain commercial properties in Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza to our completed investment properties portfolio in 2008.

Selling and marketing costs. Our selling and marketing costs increased by Rmb 3.0 million, or 5.1%, to Rmb 60.9 million in 2008 from Rmb 57.9 million in 2007. The increase was primarily due to an increase in sales and marketing staff costs and an increase in advertising and marketing costs as a result of our pre-sale activities in relation to Qingdao Powerlong City Plaza and Zhengzhou Powerlong City Plaza.

Administrative expenses. Our administrative expenses increased by Rmb 90.1 million, or 177.1%, to Rmb 140.9 million in 2008 from Rmb 50.8 million in 2007. The increase was primarily due to a significant increase in the number of our management and operational staff attributable to our expanded business operations and the establishment of Powerlong Management on October 16, 2007. Powerlong Management is responsible for the overall management of most of our property projects and the relevant project companies, and did not become fully operational until November 2007. The increase in administrative expenses, to a lesser extent, was due to the increased payment for land use tax and a general increase in wages and salaries paid to our employees in 2008.

Other gains and losses (net). Our other losses (net) in 2008 were Rmb 37.8 million, primarily due to the combined effects of the following:

- Foreign exchange losses derived from cash at bank denominated in H.K. dollars; and
- We disposed of certain investment properties in Fuzhou Powerlong City Plaza to a third party. The loss represented the net assets disposed of over the consideration received.

Fair value losses on embedded financial derivatives. Our fair value losses on embedded financial derivatives were Rmb 14.8 million in 2008 and nil in 2007. In December 2007, we entered into a subscription agreement, pursuant to which we issued the Convertible Bonds and Secured Notes totaling Rmb 939.1 million to the Investors. The fair value of these embedded financial derivatives reflected the fair value of the financial derivatives issued under the agreement and were calculated by an independent third-party appraiser.

Finance costs. Our finance costs increased by Rmb 30.3 million, or approximately 889.6%, to Rmb 33.7 million in 2008 from Rmb 3.4 million in 2007. The increase was primarily due to the interest expense incurred, net of the portion being capitalized, in relation to the debt component of the Convertible Bonds and Secured Notes as well as our bank borrowings.

FINANCIAL INFORMATION

Income tax. Our income tax expenses decreased by Rmb 76.1 million, or 18.1%, to Rmb 345.3 million in 2008 from Rmb 421.4 million in 2007. The decrease was primarily due to a decrease of Rmb 195.5 million in our LAT provision, partially offset by an increase of Rmb 119.4 million in PRC corporate income tax (including deferred corporate income tax) which was primarily attributable to our increased profits before tax in 2008. The decreased LAT provisions in 2008 were primarily attributable to the LAT provisions with respect to Wuxi Powerlong City Plaza, Wuxi Yuqi Powerlong Riverside Garden, Suzhou Taicang Powerlong City Plaza and Bengbu Powerlong City Plaza. The taxation methods used in calculating the LAT provision for these projects were specifically authorized by the relevant local tax authorities and they differ from the taxation method used in calculating the LAT provision with respect to Fuzhou Powerlong City Plaza, the major project we completed and delivered in 2007. In addition, certain amount of LAT provisions made in 2007 based on the progressive rate of the appreciated land value were reversed in 2008, which also resulted in much lower LAT provisions in 2008 as compared to 2007.

Profit for the year/period. Our profit for the year/period increased by Rmb 330.6 million, or 54.5%, to Rmb 937.3 million in 2008 from Rmb 606.7 million in 2007.

Minority interest. Profits shared by minority interests increased by Rmb 1.3 million, or 37.0%, to Rmb 4.7 million in 2008 from Rmb 3.4 million in 2007. The increase in the profit attributable to minority interests in 2008 compared to 2007 was primarily attributable to the profits shared by minority equity holders of Wuxi Powerlong as a result of the sale and delivery of properties in Wuxi Powerlong City Plaza in 2008.

Profit attributable to our equity holders increased by Rmb 329.4 million, or 54.6%, to Rmb 932.7 million in 2008 from Rmb 603.3 million in 2007.

2007 Compared to 2006

Revenue. Our revenue increased by Rmb 623.0 million, or 154.7%, to Rmb 1,025.8 million in 2007 from Rmb 402.8 million in 2006. The increase was primarily attributable to an increase of Rmb 583.4 million in our sales of property and an increase of Rmb 32.0 million in revenue from our property investment.

- **Property Development.** Our revenue generated from property development increased by Rmb 583.4 million, or 146.1%, to Rmb 982.7 million in 2007 from Rmb 399.3 million in 2006. The increase was primarily due to the increased total GFA we delivered in 2007 of approximately 130,044 square meters as compared to 75,039 square meters in 2006. Major projects completed and delivered in 2007 included Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza. GFA sold increased by 73.3% and the average selling price, on our delivered properties increased by 42.0% to Rmb 7,557 per square meter in 2007 from Rmb 5,321 per square meter in 2006.
- **Property Management Services.** Our revenue generated from property management services increased by Rmb 4.9 million, or 164.2%, to Rmb 7.9 million in 2007 from Rmb 3.0 million in 2006. The increase was primarily due to more property management fees generated as a result of an increase in our completed GFA in Fuzhou Powerlong City Plaza, for which we provided property management services.

FINANCIAL INFORMATION

- **Property Investment.** Our revenue generated from property investment increased by Rmb 32.0 million, or 21,379.3%, to Rmb 32.2 million in 2007 from Rmb 0.2 million in 2006. The increase was primarily due to additional rental income from investment properties in Fuzhou Powerlong City Plaza. Fuzhou Powerlong City Plaza was completed in December 2006 and was the first property project in which we decided to hold some investment properties. As of December 31, 2006 and 2007, we held investment properties with a total GFA of 6,436 square meters and 103,408 square meters, respectively, in Fuzhou Powerlong City Plaza. In 2007, the average occupancy rate was approximately 92.4% (excluding car parking spaces) and our average rental was approximately Rmb 43.1 per square meter per month.
- **Others.** Our revenue generated from other areas increased by Rmb 2.8 million, or 843.4%, to Rmb 3.1 million in 2007 from Rmb 0.3 million in 2006. Powerlong Decoration, our subsidiary, increased its provision of interior decoration services to third parties in 2007.

Cost of sales. Our cost of sales increased by Rmb 216.5 million, or 110.2%, to Rmb 412.9 million in 2007 from Rmb 196.4 million in 2006. The increase was primarily due to an increase in the total GFA completed and sold in 2007 as compared to 2006. Per square meter cost of sales also increased as a result of higher quality construction materials used and the increase in selling prices of construction materials for Fuzhou Powerlong City Plaza. For instance, we used more expensive tiles for Fuzhou Powerlong City Plaza for the commercial portion of properties we delivered in 2007 while we used mostly basic tiles for the residential properties of Fuzhou Powerlong City Plaza we delivered in 2006. Prices for steel and cement, two principal construction materials in property development, also increased generally in 2007 by approximately 70% and 30%, respectively, as compared to 2006. As a result, our cost of sales on a per square meter of GFA basis increased by approximately 18.7% in 2007 as compared to 2006.

Gross profit. Our gross profit increased by Rmb 406.5 million, or 197.1%, to Rmb 612.9 million in 2007 from Rmb 206.4 million in 2006. Our gross profit margin increased to 59.8% in 2007 from 51.2% in 2006, primarily due to a substantial increase in the average selling prices of properties in Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza of approximately Rmb 7,557 per square meter that we sold in 2007, compared to the average selling prices of properties in Fuzhou Powerlong City Plaza, Jinjiang Powerlong Golden Jiayuan and Quanzhou Anhai Powerlong Haoyuan of approximately Rmb 5,321 per square meter that we sold in 2006. Fuzhou Powerlong City Plaza is comprised of largely commercial properties, which commanded a higher profit margin compared to our residential property projects. We were also able to centralize our purchase of construction materials and other supplies to negotiate for volume price discounts with our suppliers as our operations expanded.

Fair value gains on investment properties. Fair value gains on our investment properties increased by Rmb 411.9 million, or 340.1% to Rmb 533.0 million in 2007 from Rmb 121.1 million in 2006. The increase was primarily due to more investment properties in Fuzhou Powerlong City Plaza completed in 2007 and the rapidly growing real estate market in Fuzhou City. As of December 31, 2006 and 2007, the completed investment properties we held in Fuzhou Powerlong City Plaza amounted to a total GFA of 6,436 square meters and 103,408 square meters, respectively.

FINANCIAL INFORMATION

Selling and marketing costs. Our selling and marketing costs increased by Rmb 36.1 million, or 167.0%, to Rmb 57.9 million in 2007 from Rmb 21.8 million in 2006. The increase was primarily due to an increase in sales and marketing staff costs and in advertising and marketing costs as a result of our pre-sale activities in relation to Bengbu Powerlong City Plaza, Tai'an Powerlong City Plaza, Wuxi Yuqi Powerlong Riverside Garden, Wuxi Powerlong City Plaza, Luoyang Powerlong City Plaza and Zhengzhou Powerlong City Plaza. In 2006, our selling and marketing costs were lower as we commenced pre-sales of properties in relatively fewer projects, namely, Fuzhou Powerlong and Suzhou Taicang Powerlong City Plaza, as compared to 2007.

Administrative expenses. Our administrative expenses decreased by Rmb 2.2 million, or 4.0%, to Rmb 50.8 million in 2007 from Rmb 53.0 million in 2006. The decrease was primarily due to a decrease of donations to government charities.

Other gains and losses (net). Our other losses (net) in 2007 were Rmb 5.7 million, primarily due to the combined effects of the following:

- We acquired additional equity interests in Quanzhou Baohua, Jinjianguo Consulting, Bairun Consulting and Fuzhou Powerlong Commercial from their minority equity holders. The gains represented excess of net assets acquired over the respective considerations;
- We disposed of certain equity interest in Jinjianguo Consulting to minority equity holders. The loss represented the net assets disposed of over the consideration received; and
- Exchange losses derived from cash at bank denominated in H.K. dollars.

Income tax. Our income tax expenses increased by Rmb 291.7 million, or 224.8%, to Rmb 421.4 million in 2007 from Rmb 129.7 million in 2006. Our tax expenses in 2007 primarily included PRC corporate income tax and LAT for our projects in Fuzhou and Suzhou Taicang while our tax expenses in 2006 primarily related to our projects in Fuzhou, Quanzhou and Jinjiang.

Profit for the year/period. Our profit for the year/period increased by Rmb 483.7 million to Rmb 606.7 million in 2007 from Rmb 123.0 million in 2006.

Minority interest. Profits shared by minority interests decreased by Rmb 2.2 million, or 40.2%, to Rmb 3.4 million in 2007 from Rmb 5.6 million in 2006. The decrease in the profit attributable to minority interests in 2007 compared to 2006 was primarily due to our acquisition of certain equity interests in Quanzhou Baohua and Fuzhou Powerlong Commercial from minority interests in 2007.

Profit attributable to our equity holders increased by Rmb 485.9 million, or 414.1% to Rmb 603.3 million in 2007 from Rmb 117.4 million in 2006.

FINANCIAL INFORMATION

CERTAIN BALANCE SHEET ITEMS

Land Use Rights

Land use rights consist of our cost of acquiring rights to use and occupy the relevant parcels of land for the purpose of developing commercial and residential properties, which excludes the cost amortized into administrative expenses, properties under development or assets under construction and the cost transferred to cost of sales. We divided our land use rights into current and non-current assets. Land use rights included in our current assets consisted of amounts that would be realized within one normal operating cycle, and amounts not realizable within one normal operating cycle were included in our non-current assets. One normal operating cycle typically means three years. We had aggregate land use rights of Rmb 728.0 million, Rmb 713.2 million, Rmb 1,155.2 million and Rmb 1,195.3 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, which were divided into land use rights of current assets of Rmb 688.1 million, Rmb 674.3 million, Rmb 1,116.7 million and Rmb 1,157.3 million, respectively, and land use rights of non-current assets of Rmb 39.9 million, Rmb 38.9 million, Rmb 38.5 million and Rmb 38.0 million, respectively. The fluctuation of our land use rights during the Track Record Period was primarily attributable to our project development schedule. The general increase in our land use rights during the Track Record Period was in line with the increase in the number of our new projects.

FINANCIAL INFORMATION

The table below sets forth, as of the dates indicated, our land use rights by project.

	As of December 31,			As of
	2006	2007	2008	June 30,
	(Rmb in millions)			2009
Non-current land use rights				
Suzhou Taichang Hotel.	5.0	4.9	4.8	4.7
Zhengzhou Powerlong City Plaza	—	—	—	—
Shandong Powerlong Industrial Development Company Limited	12.9	12.6	12.3	12.2
Qingdao Powerlong City Plaza	<u>22.0</u>	<u>21.3</u>	<u>21.4</u>	<u>21.1</u>
Sub-total	<u>39.9</u>	<u>38.9</u>	<u>38.5</u>	<u>38.0</u>
Current land use rights				
Fuzhou Powerlong City Plaza	46.4	1.1	0.8	0.5
Suzhou Taicang Powerlong City Plaza.	27.8	51.8	48.6	57.5
Zhengzhou Powerlong City Plaza	39.6	38.6	48.4	35.1
Shandong Powerlong Industrial Development Company Limited	168.2	165.1	74.3	76.2
Bengbu Powerlong City Plaza	87.7	86.3	54.9	49.8
Luoyang Powerlong City Plaza	110.3	107.8	174.8	172.7
Qingdao Powerlong City Plaza	139.3	113.5	211.6	150.2
Wuxi Powerlong City Plaza	68.8	68.3	64.5	63.7
Wuxi Yuqi Powerlong Riverside Garden	—	41.8	143.8	141.5
Suqian Project	—	—	107.9	106.6
Yantai Project	—	—	108.7	107.3
Xinxiang Project.	—	—	78.4	77.4
Yancheng Project.	<u>—</u>	<u>—</u>	<u>—</u>	<u>118.9</u>
Sub-total	<u>688.1</u>	<u>674.3</u>	<u>1,116.7</u>	<u>1,157.3</u>
Total	<u><u>728.0</u></u>	<u><u>713.2</u></u>	<u><u>1,155.2</u></u>	<u><u>1,195.3</u></u>

FINANCIAL INFORMATION

Property under Development

Properties under development in our consolidated financial information are accounted for as current assets and include primarily construction costs, capitalized expenditures, amortization of land use rights that is directly related to properties under development, as well as capitalized interests. We had properties under development of Rmb 243.2 million, Rmb 830.0 million, Rmb 1,577.2 million and Rmb 1,737.2 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The fluctuation of our properties under development during the Track Record Period was primarily attributable to the timing of property delivery and our development schedule. The significant increase in properties under development in 2007 was in line with the increased number of new projects under development.

The table below sets forth, as of the dates indicated, our properties under development by project.

	As of December 31,			As of
	2006	2007	2008	June 30,
				2009
	(Rmb in millions)			
Suzhou Taicang Powerlong City Plaza.	122.0	85.5	7.9	11.1
Zhengzhou Powerlong City Plaza	38.3	130.9	—	—
Tai'an Powerlong City Plaza	28.6	125.0	115.5	127.6
Bengbu Powerlong City Plaza	25.1	193.2	110.5	144.0
Luoyang Powerlong City Plaza	16.8	129.0	371.5	400.1
Qingdao Powerlong City Plaza	12.4	131.3	492.6	442.9
Wuxi Powerlong City Plaza	—	16.4	117.4	166.3
Wuxi Yuqi Powerlong Riverside Garden	—	18.7	179.4	204.8
Suqian Project	—	—	24.8 ⁽¹⁾	33.7
Licang Project	—	—	19.1 ⁽¹⁾	24.8
Yantai Project	—	—	44.2 ⁽¹⁾	58.8
Xinxiang Project	—	—	40.0 ⁽¹⁾	50.7
Yancheng Project	—	—	21.8 ⁽¹⁾	28.9
Changzhou Project	—	—	32.5 ⁽¹⁾	43.5
Total	<u>243.2</u>	<u>830.0</u>	<u>1,577.2</u>	<u>1,737.2</u>

Note:

- ⁽¹⁾ Primarily represents capitalized finance costs and costs incurred from pre-construction preparatory works, including project planning and design and associated management costs.

FINANCIAL INFORMATION

The table below sets forth, for the periods indicated, our properties under development by project and their estimated time of completion of construction and delivery of completed properties.

	<u>Estimated time of final completion of construction of entire project</u>	<u>Actual/estimated earliest time of delivery of properties⁽¹⁾</u>
Suzhou Taicang Powerlong City Plaza	Dec 2011	Feb 2007
Wuxi Powerlong City Plaza	Dec 2010	Jul 2008
Wuxi Yuqi Powerlong Riverside Garden	Aug 2012	Sep 2009
Qingdao Powerlong City Plaza	May 2010	Mar 2009
Tai'an Powerlong City Plaza	May 2010	Jul 2008
Luoyang Powerlong City Plaza	Dec 2012	Sep 2009
Bengbu Powerlong City Plaza	Feb 2010	May 2008

Note:

- (1) As the projects are developed in multiple phases, the time of delivery of properties in the first phase is earlier than the completion of construction of the entire project.

Completed Properties Held for Sale

Completed properties held for sale include our completed properties remaining unsold at each of our balance sheet dates and are included in our consolidated balance sheet as current assets. They are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in our ordinary course of business, net of applicable selling expenses, or by management estimates based on prevailing market conditions. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our completed properties held for sale amounted to approximately Rmb 149.9 million, Rmb 19.4 million, Rmb 417.5 million and Rmb 366.0 million, respectively. During the Track Record Period, we were able to pre-sell approximately 93% of our completed properties held for sale prior to their completion.

FINANCIAL INFORMATION

The table below sets forth, as of the dates indicated, our completed properties held for sale by project.

	As of December 31,			As of
	2006	2007	2008	June 30,
	(Rmb in millions)			2009
Completed properties held for sale				
Fuzhou Powerlong City Plaza	149.9	1.2	0.9	0.5
Suzhou Taicang Powerlong City Plaza	—	18.2	23.7	23.8
Zhengzhou Powerlong City Plaza	—	—	262.9	210.4
Tai'an Powerlong City Plaza	—	—	12.6	15.0
Bengbu Powerlong City Plaza	—	—	116.4	56.0
Wuxi Powerlong City Plaza	—	—	1.0	0.9
Qingdao Powerlong City Plaza	—	—	—	68.4
Total	149.9	19.4	417.5	366.0

Investment Properties

We began to hold investment properties towards the end of 2006. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had investment properties under construction at cost of Rmb 1,102.2 million, Rmb 1,631.4 million, Rmb 1,218.9 million and Rmb 1,243.6 million, respectively. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we held completed investment properties with a total GFA of 6,436 square meters, 103,408 square meters, 205,829 square meters and 205,022 square meters, respectively, and at a fair value of Rmb 144.0 million, Rmb 1,073.0 million, Rmb 2,173.0 million and Rmb 2,168.9 million, respectively, based on revaluation conducted at those respective dates by Savills, an independent valuer. The increase in fair value of our completed investment properties in 2007 as compared to 2006 was primarily due to our increased holding of completed investment properties as well as the upward movement in the market value of Fuzhou Powerlong City Plaza. The increase in the fair value of our completed investment properties in 2008 as compared to 2007 was primarily attributable to the retention of certain commercial properties in Zhengzhou Powerlong City Plaza and Bengbu Powerlong City Plaza which we retained for long-term investment purposes in 2008. The fair value of our completed investment properties as of December 31, 2008 and June 30, 2009 remained largely constant.

FINANCIAL INFORMATION

The table below sets forth, as of the dates indicated, our investment properties by project.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(Rmb in millions)			
Investment Properties Under Construction				
Fuzhou Powerlong City Plaza	303.2	—	—	—
Zhengzhou Powerlong City Plaza	165.6	361.3	—	—
Bengbu Powerlong City Plaza	136.5	340.6	214.3	229.5
Suzhou Taicang Powerlong City Plaza .	61.2	88.7	12.5	—
Qingdao Powerlong City Plaza	197.1	459.5	457.8	399.3
Luoyang Powerlong City Plaza	135.8	253.6	117.3	124.0
Tai'an Powerlong City Plaza	60.7	68.0	103.1	111.4
Wuxi Powerlong City Plaza	42.1	52.2	168.1	154.8
Wuxi Yuqi Powerlong Riverside Garden	—	7.5	10.5	16.8
Suqian Project	—	—	48.6	49.7
Licang Project	—	—	7.2	9.1
Yantai Project	—	—	23.8	25.9
Xinxiang Project	—	—	35.7	38.4
Yancheng Project	—	—	8.2	70.1
Changzhou Project	—	—	11.8	14.6
Subtotal	<u>1,102.2</u>	<u>1,631.4</u>	<u>1,218.9</u>	<u>1,243.6</u>
Completed Investment Properties				
Fuzhou Powerlong City Plaza	144.0	1,073.0	971.0	974.0
Zhengzhou Powerlong City Plaza	—	—	1,078.0	1,071.5
Bengbu Powerlong City Plaza	—	—	124.0	123.4
Subtotal	<u>144.0</u>	<u>1,073.0</u>	<u>2,173.0</u>	<u>2,168.9</u>
Total	<u>1,246.2</u>	<u>2,704.4</u>	<u>3,391.9</u>	<u>3,412.5</u>

Trade and Other Receivables and Prepayments

We had trade and other receivables and prepayments of Rmb 893.4 million, Rmb 570.7 million, Rmb 1,408.1 million and Rmb 1,715.9 million, respectively, as of December 31, 2006, 2007 and 2008, and June 30, 2009. Trade receivables from third parties as of December 31, 2006, 2007 and 2008 and June 30, 2009, were Rmb 1.9 million, Rmb 28.2 million, Rmb 56.3 million and Rmb 111.1 million, respectively. Our trade receivables mainly arose from rental income derived from the investment properties we leased out. Consideration in respect of properties sold is generally paid in accordance with the terms of the sale and purchase agreements. Other receivables from related parties and third parties as of December 31, 2006, 2007 and 2008 and June 30, 2009 were Rmb 838.3 million, Rmb 98.7 million, Rmb 263.0 million and Rmb 353.5 million, respectively. Other receivables from third parties primarily represented deposits paid to electricity suppliers and water suppliers for our projects and utilities costs we prepaid on behalf of our contractors. Prepayments primarily include deposits made in connection

FINANCIAL INFORMATION

with our acquisition of land use rights, prepayments of business taxes and other taxes, prepayments for construction costs incurred by third parties, prepayments for acquisition of properties from related parties and prepayments for professional fees.

Our trade and other receivables composition and percentage trade and other receivables composition during the Track Record Period were approximately as follows:

	As of December 31,						As of June 30,	
	2006		2007		2008		2009	
	(Rmb in thousands, except percentages)							
Trade receivables.	1,861	0.2%	28,239	4.9%	56,290	4.0%	111,101	6.5%
Other receivables.	838,348	93.8%	98,680	17.3%	262,978	18.7%	353,547	20.6%
Prepayments	53,163	6.0%	443,776	77.8%	1,088,833	77.3%	1,251,269	72.9%
Total.	893,372	100.0%	570,695	100.0%	1,408,101	100.0%	1,715,917	100.0%

Our trade and other receivables and prepayments include receivables of our property sales proceeds, rental receivable for our investment properties, prepaid business taxes and other taxes, prepayments for the acquisition of land use rights, prepayments for construction costs to third parties, prepayments for acquisition of properties from related parties and prepayments for professional fees. Prepaid taxes are levied when we receive advances from pre-sale of properties and such taxes are recorded as trade and other receivables before the relevant revenue is recognized.

Our trade receivables as of December 31, 2006, 2007 and 2008 and June 30, 2009 were aged less than 90 days. Our credit policy to our customers is largely reflected in our sale and purchase agreements with our customers. Our customers generally have seven days to pay their down-payments and one month, subject to a grace period of 15 more days, to secure mortgage loan to pay the remaining purchase price. In accordance with our agreements, we charge a default interest on the amount due and payable in addition to other legally available means to resolve such defaults. We do not normally provide installment payment plans to purchasers of our properties. With respect to our trade receivables of Rmb 111.1 million outstanding as of June 30, 2009, we subsequently collected approximately Rmb 21.6 million as of August 31, 2009. Our trade receivables turnover days during the Track Record Period were two days in 2006, 10 days in 2007, 13 days in 2008 and 15 days in the six months ended June 30, 2009, respectively. We have computed our trade receivables turnover days as follows: (Trade receivables at the end of the period/Revenue) x number of days in the period. The fluctuation in our trade receivables turnover days during the Track Record Period was primarily due to the different composition of principal sources of revenue during the respective periods. While our revenue from property development was mostly a transfer of our pre-sale proceeds to our revenue with immediate recognition, property management service fees and rental income tend to have longer collection cycles. Trade receivables as of December 31, 2006, 2007 and 2008 primarily consisted of rental income derived from the investment properties we leased out. The shorter trade receivables turnover days in 2006 as compared to 2007 and 2008 were due to the fact that we did not generate rental income from our investment properties until the completion of Fuzhou Powerlong City Plaza in November 2006. Trade receivables as of June 30, 2009 primarily consisted of rental income as well as proceeds due to us from the sales of commercial properties in Qingdao Powerlong City Plaza.

FINANCIAL INFORMATION

The following table sets forth our other receivables during the Track Record Period.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(Rmb in thousands)			
Other receivables from related parties				
Xiamen Powerlong Group	729,581	62,371	210,180	320,744
Hoi Kin Hong	24,594	—	—	—
Xiamen Powerlong	2,617	—	—	—
Jinjiang Powerlong Hotel Company Limited	66,031	—	—	—
Fuzhou Cannes Department Store Company Limited	—	—	20,616	—
Fuzhou Powerlong Amusement Management Company Limited	—	—	3,996	4,107
Zhengzhou Powerlong Food & Beverage Company Limited	—	—	2,032	388
Other related entities ultimately controlled by Hoi Kin Hong	839	—	100	1,418
	<u>823,662</u>	<u>62,371</u>	<u>236,924</u>	<u>326,657</u>
Other receivables from third parties	<u>14,686</u>	<u>36,309</u>	<u>26,054</u>	<u>26,890</u>
Total	<u>838,348</u>	<u>98,680</u>	<u>262,978</u>	<u>353,547</u>

Other receivables from related parties consist of amounts due from our Chairman, Hoi Kin Hong, and companies owned or controlled by him. The amounts due from related parties were unsecured, non-interest bearing and repayable to us on demand. As of June 30, 2009, we had amounts due from related parties of Rmb 326.7 million. Such amounts due from related parties will be repaid.

Our prepayments during the Track Record Period were primarily related to our deposits in connection with our land acquisition endeavors, and to a lesser extent related to prepayments of business taxes and other taxes, prepayments to third-party construction contractors, prepayments for acquisition of properties from related parties and prepayments for professional fees. We paid deposits in connection with our land use rights acquisitions in the aggregate of nil, Rmb 332.2 million, Rmb 677.7 million and Rmb 528.4 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. In addition, we prepaid business taxes and other taxes of Rmb 43.5 million, Rmb 91.2 million, Rmb 92.0 million and Rmb 86.0 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The fluctuation of our prepayments during the Track Record Period was primarily attributable to our land acquisition plan for the construction of different projects. The increase in our prepayments in 2008 and the six months ended June 30, 2009 was also attributable to the prepayment of Rmb 300.0 million for the acquisition of certain properties in Xiamen City from Xiamen Powerlong Group. For more information, please see the section entitled “Business — Acquisition of Properties in Mingfa Centre” in this document.

FINANCIAL INFORMATION

Trade and Other Payables

We had trade and other payables of Rmb 1,327.8 million, Rmb 891.9 million, Rmb 1,542.6 million and Rmb 2,344.4 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. Trade payables to third parties were Rmb 211.4 million, Rmb 521.3 million, Rmb 492.9 million and Rmb 512.0 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The fluctuation of our trade payables during the Track Record Period was largely in line with construction costs incurred for property development during the same period.

Our trade and other payables composition and percentage trade and other payables composition during the Track Record Period were approximately as follows:

	As of December 31,						As of June 30,	
	2006		2007		2008		2009	
	(Rmb in thousands, except percentages)							
Trade payables . . .	211,409	15.9%	521,292	58.4%	492,936	32.0%	512,011	21.8%
Notes payables . . .	—	—	—	—	—	—	40,478	1.7%
Other payables and accruals.	473,344	35.6%	47,494	5.4%	787,350	51.0%	1,518,812	64.9%
Payables for retention fee . . .	48,710	3.7%	74,045	8.3%	99,401	6.4%	108,618	4.6%
Payables for land use right	591,757	44.6%	234,981	26.3%	143,434	9.3%	143,434	6.1%
Other taxes payable	2,569	0.2%	14,057	1.6%	19,496	1.3%	21,058	0.9%
Total.	1,327,789	100.0%	891,869	100.0%	1,542,617	100.0%	2,344,411	100.0%

The decrease in payables in 2007 as compared to 2006 was mainly due to the settlement of the consideration for the land use rights purchased in 2006 as they became due in 2007 and a decrease in payables to related parties, thereby resulting in the decrease of our payable balance as of December 31, 2007. The increase in payables in 2008 as compared to 2007 was mainly due to the increase in other payables to third parties and related parties in 2008, partially offset by the decrease in payables for land use rights.

Our trade payables represented mainly payables to third parties including suppliers and contractors. We do not have uniform settlement terms with our suppliers and contractors. For general suppliers, we typically settle our payments within 90 days of receiving the goods and services. For our construction contractors, we typically settle in the current month approximately 80% of the construction costs incurred during the previous month. This is largely because of the time needed to verify the construction costs actually incurred. We typically settle as much as 90% of the construction costs by the time the construction of a project is completed and 95% by the time we and our contractors reach an agreement on the aggregate amount of the construction costs. Typically our arrangements with the contractors allow us to withhold a retention fee of up to 5% of the aggregate construction costs, the settlement of most of which will be made within two years from the completion of the relevant projects.

With respect to our trade payables of Rmb 512.0 million outstanding as of June 30, 2009, we subsequently paid approximately Rmb 29.6 million as of August 31, 2009, with the remainder not yet due and payable. Our trade payables turnover days during the Track Record Period were 393 days in 2006, 461 days in 2007, 207 days in 2008 and 307 days in the six months ended June 30, 2009. We have computed our trade payables turnover days as follows: (Trade payables at the end of the period/Cost of sales) x number of days in the period. The fluctuation

FINANCIAL INFORMATION

in our trade payables turnover days during the Track Record Period was primarily due to the combined effect of our properties completed and delivered and project developments started and on-going during the respective periods. Our trade payables represent primarily the construction fees payable under our construction contracts. In 2006, 2007 and 2008 and the six months ended June 30, 2009, our trade payables turnover days were affected by the number of development projects we undertook during the period as more projects tended to increase our trade payables. In addition, our trade payables turnover days were affected by the volume of properties completed and delivered during the period as they tended to affect our cost of sales since we recognize our cost of sale in line with the sales of the relevant properties. We plan to settle the remaining trade payables with our sales proceeds and internally generated funds.

Our other payables included payables and accruals to related parties and to third parties. Our other payables information during the Track Record Period was as follows:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(Rmb in thousands)			
Other payables to related parties				
Hoi Kin Hong	—	—	633,115	1,397,796
Xiamen Powerlong Group	423,064	—	—	—
Xiamen Powerlong Hotel Company Limited	31,267	—	—	—
Jinjiang Powerlong Hotel Company Limited	561	—	—	—
Macau Entertainment Company Limited	1,349	—	—	—
Other related entities ultimately controlled by Hoi Kin Hong	239	—	64	192
	<u>456,480</u>	<u>—</u>	<u>633,179</u>	<u>1,397,988</u>
Other payables to third parties	<u>16,864</u>	<u>47,494</u>	<u>154,171</u>	<u>120,824</u>
Total	<u>473,344</u>	<u>47,494</u>	<u>787,350</u>	<u>1,518,812</u>

Other payables to related parties comprised of amounts due to our Controlling Shareholders and companies owned or controlled by them. As of December 31, 2008 and June 30, 2009, we had other payables to related parties of Rmb 633.2 million and Rmb 1,398.0 million, respectively, both of which were attributable to advances from Hoi Kin Hong and entities controlled by him. These advances were made to us primarily for redeeming a portion of the Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes and funding our registered capital contribution into our project companies. Of other payables to related parties of Rmb 1,398.0 million as of June 30, 2009, Rmb 920.2 million was used to redeem the Secured Bonds and Secured Notes and Rmb 477.8 million was used to fund our registered capital contribution into our project companies. We will have no other payables to related parties. As of June 30, 2009, our related parties provided guarantees to us with respect to our bank loan of Rmb 609.8 million. All guarantees provided to us by our related parties, including those given by Hoi Kin Hong, will be released.

FINANCIAL INFORMATION

Payables for retention fee was Rmb 48.7 million, Rmb 74.0 million, Rmb 99.4 million and Rmb 108.6 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The increase during the Track Record Period was primarily due to an increase in our property development, which resulted in an increase in retention fee held by us for quality assurance of construction work. With respect to Rmb 108.6 million of payables for retention fee outstanding as of June 30, 2009, we intend to repay them to the constructors in accordance with the construction progress of the relevant projects. We typically repay such retention fee within two years from the completion of the relevant project development. For instance, warranties for fitting-out work, including pipes and cables, are for two years. Warranties for certain other types of defects such as building leakage are for a longer period.

We had payables for land use rights of Rmb 591.8 million, Rmb 235.0 million, Rmb 143.4 million and Rmb 143.4 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. Our land premium payable fluctuated during the Track Record Period primarily due to our land acquisition plan for the construction of different projects. As our projects tend to be large, it typically takes longer to complete them before we embark on additional projects. With respect to Rmb 143.4 million of our payables for land use rights outstanding as of June 30, 2009, we expect to settle those payables between 2009 and 2011 according to the relevant arrangements. We plan to settle the remaining payables for land use rights with our sales proceeds and internally generated funds.

We had other taxes payable of Rmb 2.6 million, Rmb 14.1 million, Rmb 19.5 million and Rmb 21.1 million, as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. These other taxes payable primarily related to business tax and other levies.

Advances from Customers

We record our pre-sale proceeds as “advances from customers” within our current liabilities in our consolidated balance sheets. We do not recognize these advances from pre-sale of properties as revenue until we have completed the construction of the relevant projects and delivery of properties. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate advances from pre-sale of properties amounted to Rmb 1,086.1 million, Rmb 2,072.6 million, Rmb 2,267.9 million and Rmb 2,044.6 million, respectively.

FINANCIAL INFORMATION

The table below sets forth, as of the dates indicated, advances received from our pre-sale of properties by project.

	As of December 31,			As of
	2006	2007	2008	June 30,
	(Rmb in millions)			2009
Fuzhou Powerlong City Plaza	604.1	0.9	—	—
Suzhou Taicang Powerlong City Plaza	314.3	222.3	—	11.4
Zhengzhou Powerlong City Plaza	106.9	419.1	98.8	45.2
Tai'an Powerlong City Plaza	5.6	220.4	200.9	253.1
Bengbu Powerlong City Plaza	55.2	579.5	292.4	235.0
Luoyang Powerlong City Plaza	—	190.5	391.0	520.3
Qingdao Powerlong City Plaza	—	372.4	1,063.6	524.2
Wuxi Powerlong City Plaza	—	67.5	5.3	186.7
Wuxi Yuqi Powerlong Riverside Garden	—	—	215.9	268.7
Total	<u>1,086.1</u>	<u>2,072.6</u>	<u>2,267.9</u>	<u>2,044.6</u>

For the six months ended June 30, 2009, we had received proceeds from pre-sale and sale of properties of Rmb 1,045.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land premium and relocation costs), infrastructure costs, finance costs, as well as to service our indebtedness, and to fund working capital and normal recurring expenses. To date, we have primarily financed our expenditures through internally generated cash flows, proceeds from pre-sale and sale of properties, borrowings from commercial banks and debt financings. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of sources including project construction loans and mortgage loans, cash provided by operating activities, including the rental, sale and pre-sale of properties, and additional offerings of equity securities or other capital market instruments.

FINANCIAL INFORMATION

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(unaudited)				
	(Rmb in millions)				
Net cash inflow/(outflow) from operating activities	490.9	1,047.4	131.3	(99.1)	335.0
Net cash outflow from investing activities.	(1,084.2)	(1,833.9)	(1,850.2)	(1,066.9)	(448.9)
Net cash inflow from financing activities.	<u>608.1</u>	<u>1,907.4</u>	<u>772.7</u>	<u>352.1</u>	<u>177.3</u>
Net increase/(decrease) in cash and cash equivalents.	14.8	1,120.9	(946.2)	(813.9)	63.3
Cash and cash equivalents at the beginning of the year. . . .	33.7	48.5	1,162.6	1,162.6	205.3
Effect of foreign exchange rate changes	<u>—</u>	<u>(6.9)</u>	<u>(11.0)</u>	<u>(9.4)</u>	<u>3.6</u>
Cash and cash equivalents at end of the year/period	<u>48.5</u>	<u>1,162.6</u>	<u>205.3</u>	<u>339.2</u>	<u>272.2</u>

Operating Activities

Our cash inflow from operating activities is generated primarily from proceeds from the sales of our properties, including proceeds from pre-sales of our properties, rental income from our investment properties and income from property management services we provide. Cash used in our operating activities reflects our investments in our property developments. Cash used in operating activities also includes payments of income taxes and interests.

In the six months ended June 30, 2009, our net cash inflow from operating activities was Rmb 335.0 million. Our cash inflows in the six months ended June 30, 2009 were principally a result of the advances from customers derived from pre-sales of the properties in Qingdao Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Wuxi Powerlong City Plaza, Luoyang Powerlong City Plaza, Bengbu Powerlong City Plaza of approximately Rmb 817.0 million, partially offset by the payment of PRC corporate income tax of Rmb 18.8 million, LAT of Rmb 19.2 million and interest expense of Rmb 90.9 million.

In 2008, our net cash inflow from operating activities was Rmb 131.3 million. Our cash inflows in 2008 were principally a result of the advances from customers derived from pre-sales of the properties in Bengbu Powerlong City Plaza, Tai'an Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Luoyang Powerlong City Plaza, Qingdao Powerlong City Plaza and Wuxi Yuqi Powerlong Riverside Garden of approximately Rmb 1,680.2 million, partially offset by the construction costs incurred in our property development of Rmb 1,147.3 million, payment of PRC corporate income tax of Rmb 77.5 million, LAT of Rmb 57.0 million and interest expense of Rmb 169.9 million.

FINANCIAL INFORMATION

In 2007, our net cash inflow from operating activities was Rmb 1,047.4 million. Our cash inflows in 2007 were principally a result of the advances from customers derived from pre-sales of properties in Bengbu Powerlong City Plaza, Tai'an Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Luoyang Powerlong City Plaza and Qingdao Powerlong City Plaza of approximately Rmb 1,611.4 million, partially offset by payment of PRC corporate income tax of Rmb 70.4 million, PRC LAT of Rmb 32.5 million and interest expense of Rmb 22.6 million.

In 2006, our net cash inflow from operating activities was Rmb 490.9 million. Our cash inflows in 2006 were principally a result of the advances from customers derived from pre-sales of properties in Fuzhou Powerlong City Plaza and Suzhou Taicang Powerlong City Plaza of approximately Rmb 733.9 million, partially offset by payment of PRC corporate income tax of Rmb 44.0 million, PRC LAT of Rmb 13.0 million and interest expense of Rmb 9.3 million.

Investing Activities

Our cash used in investing activities reflects cash outflows relating to the purchases of property and equipment as well as purchases of land use rights and advances made to related parties. Our cash from investing activities reflects primarily proceeds from repayment of cash advances from related parties and disposals of property and equipment.

In the six months ended June 30, 2009, our net cash used in investing activities was Rmb 448.9 million. Our cash outflows were mainly made up of purchases of land use rights of Rmb 29.5 million, cash advance made to related parties of Rmb 89.7 million and prepayments for acquisition of properties from related parties of Rmb 300.0 million. The purchases of land use rights in the six months ended June 30, 2009 primarily reflected our acquisition costs for the land use rights in connection with our properties in Yancheng Project, Licang Project and Suqian Project for long-term investment purposes. The prepayments for acquisition of properties from related parties in the six months ended June 30, 2009 reflected our prepayment of Rmb 300.0 million for the acquisition of certain properties in Xiamen City from Xiamen Powerlong Group.

In 2008, our net cash used in investing activities was Rmb 1,850.2 million. Our cash outflows were mainly made up of purchases of land use rights of Rmb 988.3 million, purchases of investment properties of Rmb 323.1 million, purchases of property and equipment of Rmb 108.4 million, cash advances made to related parties of Rmb 174.6 million and prepayments for acquisition of properties from related parties of Rmb 300.0 million. The purchases of land use rights in 2008 primarily reflected our acquisition costs for the land use rights in connection with our properties in Xinxiang Project, Yantai Project, Yancheng Project, Suqian Project, Licang Project, Changzhou Project and Luoyang Powerlong City Plaza for long-term investment purposes. The purchases of investment properties in 2008 primarily reflected construction costs incurred in the development of commercial properties in Zhengzhou Powerlong City Plaza, Qingdao Powerlong City Plaza, Bengbu Powerlong City Plaza, Luoyang Powerlong City Plaza and Tai'an Powerlong City Plaza for long-term investment purposes. The purchases of property and equipment in 2008 primarily reflected construction costs incurred in the development of hotels in Qingdao Powerlong City Plaza, Taicang Powerlong City Plaza and Tai'an Powerlong City Plaza. Cash advances made to our related parties in 2008 were of the same nature as prior years.

In 2007, our net cash used in investing activities was Rmb 1,833.9 million. Our cash outflows were mainly made up of purchases of investment properties of Rmb 687.1 million, purchase of land use rights of Rmb 647.3 million, cash advances made to related parties of Rmb

FINANCIAL INFORMATION

522.3 million and purchases of property and equipment of Rmb 86.1 million. The purchases of investment properties in 2007 primarily reflected construction costs incurred in the development of commercial properties in Zhengzhou Powerlong City Plaza, Qingdao Powerlong City Plaza, Bengbu Powerlong City Plaza, Luoyang Powerlong City Plaza and Tai'an Powerlong City Plaza for long-term investment purposes. The purchases of land use rights in 2007 primarily reflected our acquisition costs for the land use rights in connection with our properties in Qingdao Powerlong City Plaza, Wuxi Yuqi Powerlong Riverside Garden, Xinxiang Project, Yantai Project, Suqian Project and Tai'an Powerlong City Plaza for long-term investment purposes. The purchases of property and equipment in 2007 primarily reflected construction costs incurred in the development of hotels in Qingdao Powerlong City Plaza, Taicang Powerlong City Plaza and Tai'an Powerlong City Plaza. Cash advances made to our related parties in 2007 were of the same nature as those in 2006. Our cash outflows in 2007 were partially offset by repayments of cash advances by related parties of Rmb 112.4 million.

In 2006, our net cash used in investing activities was Rmb 1,084.2 million. Our cash outflows were mainly made up of purchases of investment properties of Rmb 300.0 million, purchases of land use rights of Rmb 565.8 million and cash advances made to related parties of Rmb 464.4 million. The purchases of investment properties in 2006 primarily reflected construction costs incurred in the development of commercial properties in Fuzhou Powerlong City Plaza and Zhengzhou Powerlong City Plaza for long-term investment purposes. The purchases of land use rights in 2006 primarily reflected our acquisition costs for the land use rights in connection with our properties in Qingdao Powerlong City Plaza, Bengbu Powerlong City Plaza, Wuxi Powerlong City Plaza, Luoyang Powerlong City Plaza and Tai'an Powerlong City Plaza for long-term investment purposes. Cash advances made to our related parties in 2006 primarily reflected amounts advanced to related parties, which are companies controlled by Hoi Kin Hong, our Chairman. Prior to the Reorganization, we and these related parties were managed by Hoi Kin Hong as the same group of companies. As private enterprises, we provided funding to these companies controlled by Hoi Kin Hong to satisfy their funding needs from time to time. Our cash outflows in 2006 were partially offset by repayment of cash advance by related parties of Rmb 264.5 million.

Financing Activities

Our cash from financing activities is mainly generated from bank borrowings and borrowings from third parties, contributions by the equity holders and cash advances from related parties. Our cash inflows from financing activities are offset by repayments of bank borrowings, repayments of Convertible Bonds and Secured Notes, and Secured Bonds and Secured Notes and repayments of cash advances made to related parties.

In the six months ended June 30, 2009, our net cash inflow from financing activities was Rmb 177.3 million. In the six months ended June 30, 2009, we raised borrowings of Rmb 110.0 million and received cash advances from related parties of Rmb 764.8 million. We made repayments of borrowings of Rmb 232.8 million and repayments of Secured Bonds and Secured Notes of Rmb 457.6 million.

In 2008, our net cash inflow from financing activities was Rmb 772.7 million. In 2008, we raised borrowings of Rmb 611.8 million and received cash advances from related parties of Rmb 628.9 million. We made repayments of borrowings of Rmb 262.0 million and repayments of Convertible Bonds and Secured Notes, Secured Bonds and Secured Notes of Rmb 305.0 million.

In 2007, our net cash inflow from financing activities was Rmb 1,907.4 million. In 2007, we issued the Convertible Bonds and Secured Notes totaling Rmb 939.1 million, raised other borrowings totaling Rmb 765.0 million, received various capital contributions from the then

FINANCIAL INFORMATION

equity holders of subsidiaries and minority interests of Rmb 227.1 million, and received cash advances from related parties of Rmb 357.0 million. We made repayments of cash advances to related parties of Rmb 232.0 million and repayments of borrowings of Rmb 133.7 million.

In 2006, our net cash inflow from financing activities was Rmb 608.1 million. In 2006, we received capital contributions from the then equity holders of subsidiaries and minority interests of Rmb 196.6 million, raised borrowings of Rmb 90.0 million and received cash advances from related parties of Rmb 408.6 million. We made repayments of borrowings of Rmb 81.0 million.

INDEBTEDNESS, CONTINGENT LIABILITIES AND NET CURRENT LIABILITIES

Borrowings

As of December 31, 2006, 2007 and 2008, June 30, 2009 and August 31, 2009, we had the following outstanding borrowings.

	As of December 31,			As of	As of
	2006	2007	2008	June 30,	August 31,
				2009	2009
					(unaudited)
	(Rmb in millions)				
Borrowings included in non-current liabilities:					
Bank borrowings — secured	129.0	733.3	1,111.0	968.2	947.1
Bank borrowings — unsecured	—	27.0	—	—	—
Sub-total	129.0	760.3	1,111.0	968.2	947.1
Less: Amount due within one year.	(30.0)	(42.4)	(563.7)	(663.0)	(515.5)
	<u>99.0</u>	<u>717.9</u>	<u>547.3</u>	<u>305.1</u>	<u>431.6</u>
Borrowings included in current liabilities:					
Short-term borrowings — secured	—	—	—	20.0	30.0
Current portion of long-term borrowings	30.0	42.4	563.7	663.0	515.5
Convertible Bonds and Secured Notes	—	784.4	—	—	—
Secured Bonds and Secured Notes	—	—	833.8	415.0	366.1
Sub-total	<u>30.0</u>	<u>826.8</u>	<u>1,397.5</u>	<u>1,098.0</u>	<u>911.6</u>
Total	<u>129.0</u>	<u>1,544.7</u>	<u>1,944.8</u>	<u>1,403.1</u>	<u>1,343.2</u>

FINANCIAL INFORMATION

Our borrowings during the Track Record Period were denominated in Renminbi. Our total outstanding bank borrowings amounted to Rmb 129.0 million, Rmb 760.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The increase in our bank borrowings was primarily due to the expansion of our operations and increased funding needs to finance our existing property developments. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the effective interest rate was 6.03%, 7.40%, 7.12% and 6.42%, respectively, for our bank loans.

Commercial banks and non-bank financial institutions in China typically require guarantees or security interests for our borrowings. As of December 31, 2006, 2007 and 2008 and June 30, 2009, Rmb 129.0 million, Rmb 733.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively, of our outstanding bank borrowings were secured by our properties, including assets under construction, land use rights, completed properties held for sale and investment properties.

In addition to bank borrowings, we also issued Convertible Bonds and Secured Notes in December 2007 to finance our acquisition of new land reserves and to pay outstanding construction costs for our property development projects. We refinanced the Convertible Bonds and Secured Notes through a series of restructures between September 2008 and July 2009. As a result of the restructuring, the Convertible Bonds and Secured Notes were converted into the Secured Bonds and Secured Notes. For more information, see the section entitled “History, Reorganization and Corporate Structure — Convertible Bonds and Secured Notes” in this document. We had total outstanding Secured Bonds and Secured Notes of Rmb 415.0 million as of June 30, 2009.

Bank borrowings of Rmb 49.0 million, Rmb 670.3 million, Rmb 796.0 million and Rmb 609.8 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were guaranteed by certain related parties. As of the Latest Practicable Date, guarantees with respect to Rmb 137.5 million had been released. In relation to the remaining borrowings of Rmb 472.3 million currently guaranteed by certain related parties, the banks have agreed to allow us to substitute certain companies within our Group as the guarantor of these borrowings.

The table below sets forth the maturity profiles of our bank borrowings included in non-current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2006	2007	2008	June 30,	August 31,
				2009	2009
					(unaudited)
	(Rmb in millions)				
Bank borrowings:					
1–2 years	99.0	592.0	392.0	185.3	311.5
2–5 years	—	108.8	106.9	84.1	84.4
Over 5 years	—	17.1	48.4	35.7	35.7
Total	99.0	717.9	547.3	305.1	431.6

As of August 31, 2009, we had total bank borrowings in an aggregate amount of Rmb 977.1 million, which comprised Rmb 545.5 million included in current liabilities and Rmb 431.6 million included in non-current liabilities. In addition, we had total outstanding Secured Bonds and Secured Notes of Rmb 366.1 million as of August 31, 2009.

FINANCIAL INFORMATION

Contingent Liabilities

We make arrangements with various PRC banks to provide mortgage facilities to the purchasers of our pre-sold properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to our customers. Guarantees for mortgages on pre-sold properties are generally discharged at the earlier of:

- the time when the property ownership certificates are submitted to the mortgagee banks; or
- the time when the purchaser pays off the total amount of the mortgage.

If a purchaser defaults on the mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the outstanding guarantees for mortgage loans of the purchasers of our properties were equal to approximately Rmb 280.3 million, Rmb 912.4 million, Rmb 1,029.3 million and Rmb 1,229.8 million, respectively. As of August 31, 2009, we had outstanding guarantees of Rmb 1,299.4 million for mortgage loans and had not experienced any mortgage loan default by customers with respect to which we were required by mortgagee banks to honor or guarantee obligation. We believe that in case of default on mortgage loan payments by purchasers, the net realizable value of the related properties would exceed the outstanding mortgage principal together with the accrued interest and penalty. Our Directors are of the view that the fair value of these guarantees is not significant.

As of August 31, 2009, we had not guaranteed the indebtedness of any independent third parties.

Our Controlling Shareholders have agreed to indemnify us against the losses, claims, liabilities and expenses arising out of, or relating to (i) guarantees entered into by us prior to [●] in respect of indebtedness incurred by affiliates controlled by any of our Controlling Shareholders that are not our consolidated subsidiaries; and (ii) guarantees entered into by us in respect of indebtedness incurred by third parties that are not on normal commercial terms or in the ordinary course of our business.

Except as disclosed above and other than intra-group liabilities, we did not have any outstanding loan capital, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments as of August 31, 2009.

Capital Expenditures

Our capital expenditures during the Track Record Period primarily represented expenditures incurred in relation to the acquisition of land use rights and purchases of properties and equipment. We incurred capital expenditures of Rmb 1,589.1 million in 2006, Rmb 1,086.0 million in 2007, Rmb 915.4 million in 2008 and Rmb 230.8 million in six months ended June 30, 2009.

FINANCIAL INFORMATION

Contractual Commitments

We were contractually committed to spend Rmb 1,621.8 million as of December 31, 2006, Rmb 1,440.5 million as of December 31, 2007, Rmb 2,455.6 million as of December 31, 2008 and Rmb 2,004.0 million as of June 30, 2009 on operating and capital expenditures required for our property developments, primarily consisting of costs with respect to obtaining land use rights and construction of projects.

The following table sets forth our contractual commitments as of the dates indicated.

Projects	As of December 31,			As of	Settlement
	2006	2007	2008	June 30, 2009	date/expected due date
	(Rmb in millions)				
Acquisition of land					
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	—	71.6	—	—	—
Suqian Project (宿遷項目)	—	298.4	209.5	209.5	Jun 2011
Yantai Project (煙台項目)	—	144.4	45.4	45.4	Dec 2009
Licang Project (李滄項目)	—	—	110.6	110.6	Dec 2009
Xinxiang Project (新鄉項目)	—	—	133.0	133.0	Dec 2009
Yancheng Project (鹽城項目)	—	—	262.7	256.6	Dec 2009
Changzhou Project (常州項目)	—	—	149.4	149.3	Dec 2010 ⁽¹⁾
Sub-total	—	514.4	910.6	904.4	
Construction of projects					
Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	10.1	—	—	—	—
Fuzhou Powerlong City Plaza (福州寶龍城市廣場)	139.9	—	18.5	7.6	Jun 2010
Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場)	24.7	31.1	43.5	56.3	Mar 2010
Wuxi Powerlong City Plaza (無錫寶龍城市廣場)	—	7.8	191.2	146.6	Dec 2010
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	—	144.4	11.5	44.4	Dec 2010
Qingdao Powerlong City Plaza (青島寶龍城市廣場)	1,022.8	314.9	759.9	446.1	Aug 2010
Tai'an Powerlong City Plaza (泰安寶龍城市廣場)	69.7	166.8	128.3	118.4	Aug 2010
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	156.8	61.0	101.5	87.6	Dec 2010
Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)	188.6	45.3	26.8	19.5	Dec 2009
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)	9.2	154.8	246.8	153.4	Aug 2010
Suqian Project (宿遷項目)	—	—	10.5	—	Mar 2010
Licang Project (李滄項目)	—	—	6.4	7.2	Mar 2010
Xinxiang Project (新鄉項目)	—	—	0.1	7.9	Mar 2010
Yantai Project (煙台項目)	—	—	—	4.6	Jun 2010
Sub-total	1,621.8	926.1	1,545.0	1,099.6	
Total	1,621.8	1,440.5	2,455.6	2,004.0	

FINANCIAL INFORMATION

Note:

- (1) The estimated due date depends on the progress of the relocation and resettlement of existing residents undertaken by the local government authority as required under the relevant land grant contract. As of the Latest Practicable Date, the local government authority was in negotiation with existing residents. All relocation and resettlement are expected to be completed by December 2010, upon which time we plan to pay the outstanding land premium.

We intend to settle our contractual commitments as construction of our projects progresses. Accordingly, not all of the commitments of Rmb 2,004.0 million as of June 30, 2009 will need to be settled within 12 months of [●]. Furthermore, as a number of our projects currently under development are expected to be completed by the end of 2009, we believe we will be able to leverage the increased commercial value of these completed properties to secure further project loans to finance our ongoing business operations and property development activities. Our Directors believe that we have good credit standing and long-term relationships with our lending banks and we intend to continue to work with a number of major commercial banks in the PRC to discuss financing arrangements for our property developments to meet our funding needs.

During the Track Record Period, we financed our property development activities primarily using proceeds from the sale and pre-sale of our properties, internally generated cash, bank borrowings and proceeds from the Convertible Bonds and Secured Notes we issued. Our cash generated from operating activities and net proceeds from banking borrowings amounted to Rmb 2,629.7 million and Rmb 867.3 million, respectively, which provided abundant financing for our property development activities during this period. Going forward, we expect to fund our projects from a number of sources, including internally generated cash flow, sale and pre-sale proceeds from our properties under development that are expected to be completed in the next 12 months, bank borrowings, and other funds raised from the capital markets from time to time. In particular, as of June 30, 2009, we had total contracted capital commitments with respect to our property projects of Rmb 2,004.0 million, of which approximately Rmb 748.9 million is intended to be funded by [●]. For further details of the capital commitment of our projects as of June 30, 2009, please refer to the table above. Notwithstanding the above and the Directors’ estimate, investors and potential investors are reminded that our access to funds may be affected by various factors, including the factors discussed under the section entitled “Risk Factors” in this document and “— Key Factors Affecting Our Results of Operations” in this section.

Net Current Liabilities

Our net current liabilities as of August 31, 2009 were approximately Rmb 716.5 million, comprising current assets of approximately Rmb 5,653.9 million and current liabilities of approximately Rmb 6,370.4 million. As of the same date, our current assets mainly consisted of land use rights of Rmb 1,412.2 million, properties under development of Rmb 1,909.8 million, trade and other receivables and prepayments of Rmb 1,355.4 million, prepaid taxes of Rmb 66.7 million, cash and cash equivalents and restricted cash of Rmb 567.4 million, and completed

FINANCIAL INFORMATION

properties held for sale of Rmb 342.4 million. Our current liabilities mainly consisted of advances from customers for pre-sale of properties of Rmb 2,229.8 million, trade and other payables of Rmb 2,626.0 million, Secured Bonds and Secured Notes of Rmb 366.1 million, Dividend payable of Rmb 32.9 million, income tax payables of Rmb 570.1 million and borrowings of Rmb 545.5 million. Advances from customers for pre-sale of properties were accounted for as liabilities prior to delivery of the properties. The relevant amount in this category would be credited to revenue upon delivery of the properties. The net current liabilities as of December 31, 2006, 2007 and 2008 and June 30, 2009 were Rmb 450.1 million, Rmb 942.9 million, Rmb 736.5 million and Rmb 691.8 million, respectively. Our net current liabilities positions were mainly due to the fact that our business operations were expanding during the Track Record Period and that we mainly financed the construction of projects and acquisition of land reserves with advances from customers from the pre-sale of properties. As of August 31, 2009, approximately Rmb 1,343.2 million of our indebtedness was secured by collateral such as our assets under construction, land use rights, investment properties and properties under development.

We have reached a preliminary agreement with the Controlling Shareholders to capitalize the payables to the Controlling Shareholders of approximately Rmb 1,000.0 million of amounts due to related parties (companies that are owned by our Chairman, Hoi Kin Hong), which we expect will further reduce the balance of our other payables as of June 30, 2009.

In light of the fact that a significant portion, in the aggregate amount of approximately Rmb 2,229.8 million as of August 31, 2009, of our current liabilities was attributable to deposits received on pre-sale of our properties, our Directors are confident that our net current liabilities position should have no material impact on our financial position. We expect our net current liabilities to decrease further in the second half of 2009 as a number of projects currently under development are expected to be completed and delivered and the related proceeds from our pre-sold of properties will be recognized as revenue, thereby reducing the deposits received from our pre-sold properties recorded under current liabilities. Our construction costs payable as a component of our current liabilities as of August 31, 2009 was Rmb 511.6 million. As of August 31, 2009, we had available and undrawn bank facilities in the aggregate of Rmb 413.0 million.

Our Directors confirm that there has not been any material adverse change in our indebtedness or contingent liabilities since August 31, 2009.

Restricted Cash

Our restricted cash comprises three components, namely, guarantee deposits for construction of projects, guarantee deposits for bank borrowings and guarantee deposits for paying salaries of employees of construction contractors. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the outstanding amount of our restricted cash was Rmb 5.4 million, Rmb 27.4 million, Rmb 31.1 million and Rmb 53.7 million, respectively. Guarantee deposits for construction projects are a certain amount of pre-sale proceeds which we are required to place in designated bank accounts as guarantee deposits for construction of related properties. These guarantee deposits can only be used for purchases of construction materials and payments of construction fees for the relevant projects and can only be released after the completion of related pre-sold properties or the issuance of the property ownership certificates. Guarantee deposits for bank borrowings are rental income from our investment properties in Fuzhou Powerlong City Plaza which have been placed in a designated bank account to guarantee

FINANCIAL INFORMATION

repayment of bank borrowings. Guarantee deposits for paying salaries of employees of construction contractors are guarantee deposits that are required to be placed with designated banks for paying salaries of employees of construction contractors.

Working Capital

We centrally manage our working capital to ensure proper and efficient collection and deployment of our funds. We use an annual budget supplemented by quarterly and monthly cash flow rolling projections to control our current cash inflow and outflow. We also use a one to five-year budgeting system to monitor our cash flow, which covers land acquisition, construction cost payment, realization of revenue from properties and financing plans. All disbursements of funds must be approved by the appropriate managers. All idle cash must be accounted for in our efficiency of utilization analysis.

For long-term capital requirements, such as the periodic replenishment of our land reserves, we use a three-year and five-year budgeting system. We carefully consider our cash position and ability to obtain further financing when arranging payment for land reserves and project construction costs. We endeavor to have financing ready before we make significant capital commitments. In relation to our existing amounts due to and due from related parties, we intend to enter into arrangements to offset such payables and receivables and settle any outstanding amounts periodically. We are currently in discussion with certain banks in Hong Kong to increase our offshore credit facilities. Given suitable opportunities, we also intend to work with our bankers to access the capital markets through further equity or equity-linked capital raising or debt-related capital raising.

In addition, we seek to effectively manage our future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting our development schedule to ensure that we have available resources to finance our projects, implementing cost control measures, adopting a more flexible approach to pricing our property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of select investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate cash and cash equivalents denominated in Rmb amounted to Rmb 48.5 million, Rmb 1,162.6 million, Rmb 205.3 million and Rmb 272.2 million, respectively, which would have been subject to PRC foreign exchange controls if any such cash and cash equivalents were to be exchanged into foreign currencies or remitted outside China. As of August 31, 2009, we had available and undrawn bank facilities in the aggregate of Rmb 413.0 million.

Available banking facilities and cash flow from our operations, our Directors are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

FINANCIAL INFORMATION

Off-balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and the rate of inflation.

Interest Rate Risk

We are exposed to interest rate risks, primarily relating to our bank borrowings, which totaled Rmb 129.0 million, Rmb 760.3 million, Rmb 1,111.0 million and Rmb 988.2 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. As of December 31, 2006, 2007 and 2008 and June 30, 2009, if interest rates on bank borrowings on those dates had been 0.5% higher/lower with all other variables held constant, interest charges for the years and period then ended would have been Rmb 0.8 million, Rmb 1.7 million, Rmb 4.8 million and Rmb 2.9 million higher/lower, mainly as a result of higher/lower interest expense on floating interest rate borrowings. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates increase the cost of our financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year lending rate published by PBOC for 2006, 2007 and 2008 and the six months ended June 30, 2009 was 6.12%, 7.47%, 5.31% and 5.31%, respectively. We do not currently use any derivative instruments to manage our interest rate risk.

A fluctuation in interest rates may also affect our prospective purchasers' ability and cost to obtain financing and depress the overall housing demand in China. On September 27, 2007, PBOC raised the minimum property mortgage loan rates for property mortgages with a term over five years to 7.83%, 27 basis points higher than the previously existing minimum mortgage loan rate. On October 27, 2008, PBOC reduced the minimum mortgage loan interest rate to 70% of the relevant PBOC benchmark interest rate. As of June 30, 2009, the minimum property mortgage loan interest rate for property mortgages with a term over five years was 4.16%.

Commodity Risk

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of the contractor fees pursuant to our arrangements with our construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors and suppliers. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations. In order to mitigate the impact and risk of price fluctuations relating to our raw materials, we have endeavored to negotiate volume-discount prices for our key raw materials, but such measures have limited utility in reducing the commodity risks we face in our operations.

FINANCIAL INFORMATION

Foreign Exchange Risk

Substantially all of our revenue, expenses, cash and deposits are denominated in Renminbi. Our exposure to foreign exchange rate fluctuations results primarily from our cash and cash equivalents denominated in foreign currencies. To service our foreign currency denominated indebtedness, we will have to convert Renminbi into the relevant foreign currencies. A depreciation of Renminbi would require us to use more Renminbi funds to service the same amount of foreign currency debt. In addition, a depreciation of Renminbi would adversely affect the value of any dividends we pay to our offshore equity holders. We currently do not engage in hedging activities designed or intended to manage such currency risk. Also see the section entitled “Risk Factors — Risks Relating to China — Changes in foreign exchange and foreign investment regulations in China may adversely affect our ability to invest in China and the ability of our subsidiaries to pay dividends and service debts in foreign currencies.” In order to mitigate the impact and risk of the foreign exchange fluctuation to our operations, we have and will continue to endeavor to speed up our Renminbi conversion procedures at SAFE with respect to our foreign currency borrowings. Because Renminbi is not freely convertible, our ability to reduce the foreign exchange risk is necessarily limited.

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China’s overall national inflation rate, as measured by the general consumer price index, was approximately 1.5% in 2006, 4.8% in 2007 and 5.9% in 2008. China experienced deflation of 1.1% in the six months ended June 30, 2009. Inflation in the past did not materially affect our business. Deflation could negatively affect our business as it might be a disincentive for prospective property purchasers to make a purchase.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Pursuant to the Cayman Companies Law and our Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Board. Our Memorandum and Articles of Association provide that dividends may be declared and paid out of our profit. Dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except so far as the rights attaching to, or the terms of issue of, any Shares that may otherwise provide,

- all dividends must be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for the purpose be treated as paid up on the Share; and
- all dividends must be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid.

FINANCIAL INFORMATION

Our Directors may deduct from any dividend or other monies payable to any of our equity holders or in respect of any Shares all sums of money (if any) presently payable by such equity holders to us on account of calls or otherwise. In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our equity holders; and
- any other factors which may be relevant.

Our Board has absolute discretion in deciding whether to declare any dividend for any year and how much dividend to declare if it decides to declare a dividend. Our Board will declare dividends, if any, in H.K. dollars with respect to our Shares on a per Share basis and will pay such dividends in H.K. dollars. Any final dividend for a fiscal year will be subject to our equity holders' approval.

Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. We cannot assure you that dividends of any amount will be declared or distributed in any year.

In 2006, we did not distribute any dividends to our equity holders. In 2007, dividends declared by companies in our Group to their then equity holders amounted to approximately Rmb 32.9 million. In 2008 and the six months ended June 30, 2009, we did not distribute any dividends to our equity holders. Our future dividend policy is that approximately 20% of our profits available for distribution will be recommended for distribution for each financial year. Such final dividend is subject to the approval of our equity holders and, if approved, is currently expected to be paid in Renminbi. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments.

Under the Cayman Companies Law, our Company can declare dividends on its shares either out of its profits or its share premium account provided that immediately following the date on which any dividend is proposed to be distributed, our Company will be able to pay its debts as they fall due in the ordinary course of business. As of June 30, 2009, our Company did not have any available distributable reserve.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by Savills, an independent property valuer, as of June 30, 2009 was Rmb 19,760.9 million. There is a net revaluation surplus, representing the excess market value of the properties over their book value as of December 31, 2008 (after adjusting for units sold during the period from January 1 to June 30, 2009).

FINANCIAL INFORMATION

For further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by Savills, see the property valuation report contained in Appendix IV to this document. You should also be aware of the differences between our classification of properties and the classification used by Savills in its Property Valuation Report and by our reporting accountants in the Accountants' Report as we have disclosed in "Business — Our Property Projects."

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us and such property interests in our consolidated balance sheets as of June 30, 2009 is set forth below:

	<u>Rmb in millions</u>
Market value of properties attributable to us as of June 30, 2009, as set forth in the property valuation report contained in Appendix IV	19,760.9
Market value of properties attributable to minority interests as of June 30, 2009.	<u>248.0</u>
Market value of properties in existing state as of June 30, 2009, as set forth in the property valuation report contained in Appendix IV	<u>20,008.9</u>
Net book value of properties as of June 30, 2009, subject to valuation as set out in the property valuation report included contained in Appendix IV	
Land use rights	1,195.3
Investment properties	3,412.5
Assets under construction.	204.1
Properties under development.	1,737.2
Buildings	18.8
Completed properties held for sale	<u>366.0</u>
	<u>6,933.9</u>
Revaluation surplus, before income tax and minority interests	<u>13,075.0</u>
	<u>20,008.9</u>

RELATED PARTY TRANSACTIONS

Note 34 of the Accountants' Report contained in Appendix I to this document discloses the significant transactions we engaged in with related parties during the Track Record Period. As disclosed in the note, some of the related party transactions will continue while the others will discontinue. Our Directors believe that we conducted these related party transactions on normal commercial terms and in the ordinary course of our business. During the Track Record Period, such related party transactions were charged in accordance with the terms of the underlying agreements.

FINANCIAL INFORMATION

NO MATERIAL CHANGE

Except as disclosed in this document, our Directors confirm that there has not been any material change in our financial or trading position since June 30, 2009.

FUTURE PLANS

FUTURE PLANS

We intend to grow our business by continuing to focus on the development of integrated commercial-residential complexes. We intend to leverage our competitive strengths to further strengthen our presence in Fujian Province, Shandong Province, Jiangsu Province, Henan Province and Anhui Province and other strategically selected regions and cities in China.

Based on our current development schedule and land bank, we will have sufficient land reserves and property developments in the pipeline for the next three years and plan to continue to maintain a three-year land reserves on a rolling basis. These land reserves will be the basis for our sustainable profit generation either through the sale of developed properties or through recurring rental income derived from investment properties we have developed. As we engage primarily in the development of large-scale development projects comprising multiple phases, our future property developments will continue to be categorized into properties under development and properties held for future development based on the development status of our properties as of any time of reference. As of June 30, 2009, we had approximately 3.3 million square meters of GFA under development and approximately 3.9 million square meters of GFA held for future development. Based on our current development plan, we estimate that aggregate additional land and construction costs of approximately Rmb 3.4 billion will be required to complete the properties currently under development and aggregate additional land and construction costs of approximately Rmb 6.4 billion will be required to complete the properties currently held for future development. We will use our operating cash flows and external borrowings to finance the remaining development costs.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company’s reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince’s Building
Central, Hong Kong

[●]

The Directors
Powerlong Real Estate Holdings Limited

Dear Sirs

We set out below our report on the financial information (the “Financial Information”) of Powerlong Real Estate Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in sections I to IV below, for inclusion in [●]. The Financial Information comprises the consolidated balance sheets as at December 31, 2006, 2007, 2008 and June 30, 2009, the balance sheets of the Company as at December 31, 2007, 2008 and June 30, 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on July 18, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands. Pursuant to a group reorganization as detailed in note 1 of section II entitled “Reorganization” below, which was completed in September 2007, the Company became the holding company of the subsidiaries comprising the Group (the “Reorganization”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of section II below. All of these companies are private companies. All companies comprising the Group have adopted December 31 as their financial year end date.

Details of the financial statements of the companies comprising the Group that are subject to audit and the names of the respective auditors are set out in note 1 of section II below.

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

APPENDIX I

ACCOUNTANTS' REPORT

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended June 30, 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in note 2 of section II below which are in conformity with HKFRSs.

Reporting accountants' responsibility

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our responsibility is to express an opinion based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the six months ended June 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

APPENDIX I

ACCOUNTANTS’ REPORT

Opinion and review conclusion

In our opinion, the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at December 31, 2007 and 2008 and June 30, 2009 and of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and the results and cash flows of the Group for the respective years/period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended June 30, 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of section II below which are in conformity with HKFRSs.

APPENDIX I

ACCOUNTANTS' REPORT

I. FINANCIAL INFORMATION

(a) Consolidated balance sheets

	Note	December 31,			June 30,
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property and equipment	6	24,060	125,810	226,149	241,470
Land use rights	7	39,916	38,857	38,490	37,974
Investment properties	8	1,246,237	2,704,424	3,391,894	3,412,460
Deferred income tax assets	19	23,136	40,502	38,408	43,769
		<u>1,333,349</u>	<u>2,909,593</u>	<u>3,694,941</u>	<u>3,735,673</u>
Current assets					
Land use rights	7	688,102	674,327	1,116,746	1,157,326
Properties under development	9	243,224	829,991	1,577,230	1,737,229
Completed properties held for sale	10	149,923	19,419	417,474	366,006
Trade and other receivables and prepayments	11	893,372	570,695	1,408,101	1,715,917
Prepaid taxes		30,237	79,527	120,109	66,275
Restricted cash	13	5,355	27,353	31,112	53,696
Cash and cash equivalents	14	48,528	1,162,566	205,302	272,239
		<u>2,058,741</u>	<u>3,363,878</u>	<u>4,876,074</u>	<u>5,368,688</u>
Total assets		<u><u>3,392,090</u></u>	<u><u>6,273,471</u></u>	<u><u>8,571,015</u></u>	<u><u>9,104,361</u></u>
OWNERS' EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital and premium	15	—	1	26,659	26,659
Reserves	16	582,258	341,983	341,983	341,983
Retained earnings		<u>137,230</u>	<u>707,671</u>	<u>1,640,329</u>	<u>1,970,397</u>
		719,488	1,049,655	2,008,971	2,339,039
Minority interests		<u>24,811</u>	<u>35,645</u>	<u>34,501</u>	<u>33,001</u>
Total equity		<u><u>744,299</u></u>	<u><u>1,085,300</u></u>	<u><u>2,043,472</u></u>	<u><u>2,372,040</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

		December 31,			June 30,
	Note	2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	17	99,000	717,845	547,276	305,130
Deferred income tax liabilities	19	<u>39,970</u>	<u>163,539</u>	<u>367,692</u>	<u>366,706</u>
		<u>138,970</u>	<u>881,384</u>	<u>914,968</u>	<u>671,836</u>
Current liabilities					
Short-term borrowings	17	—	—	—	20,000
Current portion of long-term borrowings .	17	30,000	42,440	563,727	663,035
Convertible Bonds and Secured Notes . .	18(a)	—	784,424	—	—
Embedded financial derivatives	18(a)	—	156,082	—	—
Secured Bonds and Secured Notes	18(b)	—	—	833,812	414,970
Trade and other payables	20	1,327,789	891,869	1,542,617	2,344,411
Advances from customers		1,086,071	2,072,615	2,267,935	2,044,620
Dividend payable	29	—	32,900	32,900	32,900
Income tax payables.	21	<u>64,961</u>	<u>326,457</u>	<u>371,584</u>	<u>540,549</u>
		<u>2,508,821</u>	<u>4,306,787</u>	<u>5,612,575</u>	<u>6,060,485</u>
Total liabilities		<u>2,647,791</u>	<u>5,188,171</u>	<u>6,527,543</u>	<u>6,732,321</u>
Total equity and liabilities.		<u>3,392,090</u>	<u>6,273,471</u>	<u>8,571,015</u>	<u>9,104,361</u>
Net current liabilities		<u>(450,080)</u>	<u>(942,909)</u>	<u>(736,501)</u>	<u>(691,797)</u>
Total assets less current liabilities . . .		<u>883,269</u>	<u>1,966,684</u>	<u>2,958,440</u>	<u>3,043,876</u>

APPENDIX I

ACCOUNTANTS' REPORT

(b) Balance sheets

	Note	December 31,		June 30,
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in a subsidiary	12	—	—	—
Current assets				
Other receivables and prepayments	11	189,747	923,239	472,671
Cash and cash equivalents	14	785,746	—	—
		<u>975,493</u>	<u>923,239</u>	<u>472,671</u>
Total assets		<u>975,493</u>	<u>923,239</u>	<u>472,671</u>
OWNERS' EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital and premium	15	1	26,659	26,659
Retained earnings/(accumulated losses)		<u>53</u>	<u>(25,166)</u>	<u>(25,166)</u>
Total equity		<u>54</u>	<u>1,493</u>	<u>1,493</u>
LIABILITIES				
Current liabilities				
Convertible Bonds and Secured Notes	18(a)	784,424	—	—
Embedded financial derivatives	18(a)	156,082	—	—
Secured Bonds and Secured Notes	18(b)	—	833,812	414,970
Other payables and accruals	20	2,033	55,034	23,308
Dividend payable	29	<u>32,900</u>	<u>32,900</u>	<u>32,900</u>
Total liabilities		<u>975,439</u>	<u>921,746</u>	<u>471,178</u>
Total equity and liabilities		<u>975,493</u>	<u>923,239</u>	<u>472,671</u>
Net current assets		<u>54</u>	<u>1,493</u>	<u>1,493</u>
Total assets less current liabilities		<u>54</u>	<u>1,493</u>	<u>1,493</u>

APPENDIX I

ACCOUNTANTS' REPORT

(c) Consolidated statements of comprehensive income

	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	402,756	1,025,837	1,583,766	675,109	1,294,329
Cost of sales	22	(196,428)	(412,898)	(869,057)	(408,408)	(609,295)
Gross profit		206,328	612,939	714,709	266,701	685,034
Fair value gains on investment properties	8	121,121	533,035	856,040	12,000	2,400
Selling and marketing costs . .	22	(21,704)	(57,944)	(60,927)	(22,137)	(26,333)
Administrative expenses	22	(52,963)	(50,846)	(140,918)	(67,203)	(75,870)
Other gains and losses — net .	23	—	(5,660)	(37,786)	(9,372)	472
Operating profit		252,782	1,031,524	1,331,118	179,989	585,703
Fair value losses on embedded financial derivatives	18	—	—	(14,834)	(14,834)	—
Finance costs	26	—	(3,401)	(33,655)	(31,320)	(2,716)
Profit before income tax . . .		252,782	1,028,123	1,282,629	133,835	582,987
Income tax	27	(129,741)	(421,382)	(345,313)	(79,388)	(254,419)
Profit for the year/period . . .		123,041	606,741	937,316	54,447	328,568
Other comprehensive income .		—	—	—	—	—
Total comprehensive income for the year/period		<u>123,041</u>	<u>606,741</u>	<u>937,316</u>	<u>54,447</u>	<u>328,568</u>
Attributable to:						
Equity holders of the Company		117,358	603,341	932,658	55,658	330,068
Minority interests		<u>5,683</u>	<u>3,400</u>	<u>4,658</u>	<u>(1,211)</u>	<u>(1,500)</u>
		<u>123,041</u>	<u>606,741</u>	<u>937,316</u>	<u>54,447</u>	<u>328,568</u>
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the year/ period (expressed in RMB per share)	28	<u>Not applicable</u>	<u>Not applicable</u>	<u>0.31</u>	<u>0.02</u>	<u>0.11</u>
Dividend	29	<u>—</u>	<u>32,900</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS' REPORT

(d) Consolidated statements of changes in equity

	Attributable to the equity holders of the Company					
	Share capital and premium	Reserves	Retained earnings	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2006	—	397,124	19,872	416,996	7,696	424,692
Profit for the year	—	—	117,358	117,358	5,683	123,041
Other comprehensive income	—	—	—	—	—	—
Capital injections to subsidiaries by their then equity holders	—	185,134	—	185,134	11,432	196,566
Balance at December 31, 2006	—	582,258	137,230	719,488	24,811	744,299
Profit for the year	—	—	603,341	603,341	3,400	606,741
Other comprehensive income	—	—	—	—	—	—
Issue of shares (note 15)	1	—	—	1	—	1
Capital injections to subsidiaries by their then equity holders	—	203,272	—	203,272	23,832	227,104
Deemed distributions to the then equity holders of the Group (note 16(a))	—	(443,547)	—	(443,547)	—	(443,547)
Acquisition of additional interests in subsidiaries from minority interests	—	—	—	—	(17,162)	(17,162)
Partial disposal of a subsidiary	—	—	—	—	764	764
Dividends to then equity holders of the Group (note 29)	—	—	(32,900)	(32,900)	—	(32,900)
Balance at December 31, 2007	1	341,983	707,671	1,049,655	35,645	1,085,300
Profit for the year	—	—	932,658	932,658	4,658	937,316
Other comprehensive income	—	—	—	—	—	—
Issue of ordinary shares (note 15)	26,658	—	—	26,658	—	26,658
Acquisition of additional interests in a subsidiary from minority interests	—	—	—	—	(5,802)	(5,802)
Balance at December 31, 2008	26,659	341,983	1,640,329	2,008,971	34,501	2,043,472
Profit/(loss) for the period	—	—	330,068	330,068	(1,500)	328,568
Other comprehensive income	—	—	—	—	—	—
Balance at June 30, 2009	<u>26,659</u>	<u>341,983</u>	<u>1,970,397</u>	<u>2,339,039</u>	<u>33,001</u>	<u>2,372,040</u>
Unaudited:						
Balance at January 1, 2008	1	341,983	707,671	1,049,655	35,645	1,085,300
Profit/(loss) for the period	—	—	55,658	55,658	(1,211)	54,447
Other comprehensive income	—	—	—	—	—	—
Issue of ordinary shares	<u>26,658</u>	<u>—</u>	<u>—</u>	<u>26,658</u>	<u>—</u>	<u>26,658</u>
Balance at June 30, 2008	<u>26,659</u>	<u>341,983</u>	<u>763,329</u>	<u>1,131,971</u>	<u>34,434</u>	<u>1,166,405</u>

APPENDIX I

ACCOUNTANTS' REPORT

(e) Consolidated cash flow statements

Note	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Cash flows from operating activities					
Cash generated from operating activities	30	557,266	1,172,930	435,671	51,758
PRC corporate income tax paid		(44,020)	(70,437)	(77,524)	(57,366)
PRC land appreciation tax paid		(13,017)	(32,536)	(56,997)	(26,892)
Interest paid		(9,347)	(22,571)	(169,892)	(66,619)
					(90,926)
Net cash inflow/(outflow) from operating activities		490,882	1,047,386	131,258	(99,119)
					334,956
Cash flows from investing activities					
Acquisition of additional interests in subsidiaries from minority interests		—	(3,680)	(750)	—
Purchase of property and equipment		(18,522)	(86,055)	(108,356)	(63,421)
Purchase of investment properties		(300,026)	(687,147)	(323,107)	(55,867)
Purchase of land use rights		(565,822)	(647,325)	(988,321)	(942,172)
Prepayments for acquisition of properties from a related party	34	—	—	(300,000)	—
Cash advances made to related parties		(464,399)	(522,329)	(174,553)	(5,814)
Repayments of cash advances by related parties		264,534	112,350	—	—
Proceeds from disposals of property and equipment		5	325	1,628	355
Proceeds from disposals of investment properties		—	—	43,254	—
					4,447
Net cash outflow from investing activities		(1,084,230)	(1,833,861)	(1,850,205)	(1,066,919)
					(448,913)

APPENDIX I

ACCOUNTANTS' REPORT

		Year ended December 31,			Six months ended June 30,	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from financing activities						
Issue of shares	15	—	1	26,658	26,658	—
Capital contributions from the then equity holders of subsidiaries		196,566	227,104	—	—	—
Net proceeds on issue of Convertible Bonds and Secured Notes	18(a)	—	939,138	73,456	73,456	—
Repayments of Convertible Bonds and Secured Notes and Secured Bonds and Secured Notes		—	—	(304,992)	—	(457,614)
Payments of professional fees. .		—	(7,947)	(4,587)	(3,591)	(8,251)
Proceeds from borrowings. . . .		90,000	765,000	611,800	401,000	110,000
Repayments of borrowings		(81,000)	(133,715)	(261,984)	(118,908)	(232,838)
(Increase)/decrease in guarantee deposits for bank borrowings.		—	(7,181)	3,459	(26,524)	1,189
Cash advances from related parties.		408,587	357,027	628,878	—	764,809
Repayments of cash advances to related parties		(6,003)	(232,044)	—	—	—
Net cash inflow from financing activities.		608,150	1,907,383	772,688	352,091	177,295
Net increase/(decrease) in cash and cash equivalents .						
		14,802	1,120,908	(946,259)	(813,947)	63,338
Cash and cash equivalents at the beginning of the year/period	14	33,726	48,528	1,162,566	1,162,566	205,302
Effect of foreign exchange rate changes	23(a)	—	(6,870)	(11,005)	(9,372)	3,599
Cash and cash equivalents at the end of the year/period. .		48,528	1,162,566	205,302	339,247	272,239

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANIZATION

(a) General information

The Company was incorporated in the Cayman Islands on July 18, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands under the name Powerlong Real Estate (Cayman) Holdings Limited. Pursuant to a written resolution passed by the shareholders of the Company on April 1, 2008, the Company changed its name to Powerlong Real Estate Holdings Limited. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s principal activity is investment holding and the Group is principally engaged in property development, property investment, property management, and other property development related services (the “Businesses”).

(b) Reorganization

During the Relevant Periods, the Businesses were carried out by (i) companies comprising the Group which are previously owned by Pou Long Construction and Land Investment Company Limited (“Macau Powerlong Group”) and Cheung Yuen Land Investment Company Limited (“Macau Changyuan”); and (ii) other companies comprising the Group which are established by the existing ultimate shareholders of the Company during the Relevant Periods. Macau Powerlong Group was owned by Mr. Hoi Kin Hong (“Mr. Hoi”), Ms. Che Lok Teng, Ms. Hoi Wa Lam (許華琳), Ms. Hoi Wa Lam (許華嵐), Ms. Hoi Wa Weng, Ms. Hoi Wa Heng and Mr. Cheung Chi Lap in the percentage of equity interest of 88.9%, 6%, 1%, 1%, 1%, 1% and 1.1%, respectively, and Macau Changyuan are owned by Ms. Wong Lai Jan (spouse of Mr. Hoi), Mr. Hoi Wa Fong (son of Mr. Hoi) and Ms. Hoi Wa Fan (daughter of Mr. Hoi) in the equity interest of 60%, 30% and 10%, respectively. Mr. Hoi, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are the controlling shareholders of the Group (the “Controlling Shareholders”). Macau Powerlong Group is engaged in the lease of properties and investment holding and Macau Changyuan is engaged in investment holding. As both Macau Powerlong Group and Macau Changyuan are not engaged in the Businesses, they are not included in the Group after the Reorganization.

The following reorganization (the “Reorganization”) was carried out:

- (i) The Company was incorporated on July 18, 2007 and is beneficially wholly owned by the major equity holders of Macau Powerlong Group and Macau Changyuan;
- (ii) On July 20, 2007, the Company established Powerlong Real Estate (BVI) Holdings Limited (“Powerlong BVI”);
- (iii) On August 2, 2007, Powerlong BVI acquired the entire interest in Powerlong Real Estate (Hong Kong) Holdings Limited (“Powerlong HK”) at a consideration of HK\$1;
- (iv) From June to August 2007, Powerlong Group Development Co., Ltd. (“Xiamen Powerlong Group”) and Xiamen Powerlong Real Estate Development Co., Ltd. (“Xiamen Powerlong”), two PRC companies owned by Macau Powerlong Group and principally engaging in investment holding business and have not been included in the Group, transferred their equity interests in certain PRC subsidiaries now comprising the Group to Fuzhou Powerlong Real Estate Development Co., Ltd. (“Fuzhou Powerlong”), a subsidiary wholly owned by Macau Powerlong Group, and the subsidiaries of Fuzhou Powerlong at considerations totaling approximately RMB437,693,000, which are determined based on proportion of paid-in capital of the respective subsidiaries; Fuzhou Powerlong also acquired entire equity interests in Xiamen Hualong Property Agency Company Limited (“Hualong Property”), a PRC subsidiary of the Group, from Macau Powerlong Group at consideration determined based on the paid-in capital of Hualong Property of approximately RMB5,854,000. The considerations of RMB437,693,000 and RMB5,854,000 have been recorded in amounts due to related parties, which were offset against amounts due from Xiamen Powerlong Group in December 2007; and

APPENDIX I

ACCOUNTANTS' REPORT

- (v) In August and September 2007, Powerlong HK acquired the entire interests in Fuzhou Powerlong and interests in other PRC subsidiaries comprising the Group from Macau Powerlong Group and Macau Changyuan at a nominal consideration of HK\$10.

Particulars of the subsidiaries comprising the Group at date of this report are set out below:

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
<i>Directly held by the Company</i>					
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands July 20, 2007	HK\$100	100%	Investment holding in British Virgin Islands	(i)
<i>Indirectly held by the Company</i>					
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong July 5, 2007	HK\$1	100%	Investment holding in Hong Kong	(ii)
Wide Evolution Limited	Hong Kong February 11, 2008	—	100%	Investment holding in Hong Kong	(i)
Powerlong (BVI) I Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) II Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) III Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) IV Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (BVI) V Limited	British Virgin Islands August 11, 2008	US\$100	100%	Investment holding in British Virgin Islands	(i)
Powerlong (HK) 1 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 2 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 3 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 4 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Powerlong (HK) 5 Limited	Hong Kong October 3, 2008	HK\$1	100%	Investment holding in Hong Kong	(i)
Kind Sonic Limited	Hong Kong March 27, 2009	HK\$10,000	100%	International trading, logistics management and consultation in Hong Kong	(i)

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
廈門華龍物業管理有限公司 Xiamen Hualong Property Agency Company Limited.	the PRC April 14, 1993	RMB5,853,600	100%	Property management in the PRC	(ii)
廈門百潤房地產顧問有限公司 Xiamen Bairun Property Consulting Company Limited.	the PRC May 31, 2000	RMB1,000,000	71%	Property management in the PRC	(ii)
廈門寶龍裝飾設計工程有限公司 Xiamen Powerlong Decoration Design Works Company Limited.	the PRC March 21, 2001	RMB10,000,000	100%	Decoration and design of properties in the PRC	(ii)
晉江長源房地產發展有限公司 Jinjiang Changyuan Real Estate Development Co., Ltd.	the PRC November 15, 2001	HK\$24,000,000	100%	Property development in the PRC	(ii)
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	the PRC October 21, 2003	US\$8,000,000	100%	Property development and property investment in the PRC	(ii)
廈門寶龍設計諮詢有限公司 Xiamen Powerlong Design Consulting Company Limited.	the PRC November 21, 2003	RMB500,000	80%	Decoration and design of properties in the PRC	(ii)
泉州市寶華房地產發展有限公司 Quanzhou Baohua Property Development Company Limited. . .	the PRC February 23, 2004	RMB38,000,000	100%	Property development in the PRC	(ii)
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC August 5, 2004	US\$10,000,000	100%	Property development and property investment in the PRC	(ii)
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC April 7, 2005	RMB490,122,430	100%	Property development and property investment in the PRC	(ii)
福州寶龍商業經營管理有限公司 Fuzhou Powerlong Commercial Management Company Limited. . .	the PRC April 28, 2005	RMB10,000,000	100%	Property management in the PRC	(ii)
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC June 7, 2005	RMB100,000,000	100%	Property development and property investment in the PRC	(ii)
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC February 21, 2006	RMB20,000,000	100%	Property development and property investment in the PRC	(ii)

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited . . .	the PRC March 3, 2006	RMB80,000,000	100%	Property development and property investment in the PRC	(ii)
廈門市金堅果企劃有限公司 Xiamen Jinjianguo Business Planning Company Limited	the PRC April 17, 2006	RMB100,000	71%	Decoration and design of properties in the PRC	(ii)
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC July 13, 2006	RMB461,979,900	100%	Property development and property investment in the PRC	(ii)
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC August 29, 2006	RMB80,000,000	100%	Hotel operation in the PRC	(ii)
太倉寶華物業管理有限公司 Taicang Baohua Property Management Company Limited . . .	the PRC October 9, 2006	RMB500,000	100%	Property management in the PRC	(ii)
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC November 1, 2006	US\$15,000,000	80%	Property development and property investment in the PRC	(ii)
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC February 27, 2007	US\$15,000,000	100%	Property development and property investment in the PRC	(ii)
泰安寶龍商業物業管理有限公司 Tai'an Powerlong Commercial Property Management Company Limited	the PRC April 5, 2007	RMB3,000,000	100%	Property management in the PRC	(ii)
廈門原作建築設計諮詢有限公司 Xiamen Yuanzuo Architecture Design Consulting Company Limited	the PRC June 25, 2007	RMB100,000	71%	Decoration and design of properties in the PRC	(ii)
廈門華龍商業地產管理有限公司 Xiamen Hualong Commercial Property Management Company Limited	the PRC June 29, 2007	RMB5,000,000	100%	Property management in the PRC	(ii)
蚌埠寶龍商業物業管理有限公司 Bengbu Powerlong Commercial Property Management Company Limited	the PRC July 12, 2007	RMB500,000	100%	Property management in the PRC	(ii)
河南華龍商業地產管理有限公司 Henan Hualong Commercial Property Management Company Limited . . .	the PRC September 30, 2007	RMB1,000,000	100%	Property management in the PRC	(ii)

APPENDIX I

ACCOUNTANTS’ REPORT

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
鄭州寶龍商業物業管理有限公司 Zhengzhou Powerlong Commercial Property Management Company Limited	the PRC October 16, 2007	RMB500,000	100%	Property management in the PRC	(ii)
廈門寶龍地產管理有限公司 Xiamen Powerlong Real Estate Management Co., Ltd.	the PRC October 16, 2007	HK\$5,000,000	100%	Property management in the PRC	(ii)
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC November 21, 2007	US\$22,500,000	100%	Property development and property investment in the PRC	(ii)
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited . . .	the PRC December 10, 2007	RMB80,000,000	100%	Property development and property investment in the PRC	(ii)
烟台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC December 19, 2007	US\$9,800,000	100%	Property development and property investment in the PRC	(ii)
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC December 25, 2007	US\$23,388,670	100%	Property development and property investment in the PRC	(ii)
廈門聯商物流有限公司 Xiamen Lianshang Logistics Co., Ltd.	the PRC January 24, 2008	US\$16,000,000	100%	Logistic management in the PRC	(ii)
武夷山寶龍置業發展有限公司 Wuyishan Powerlong Real Estate Development Co., Ltd.	the PRC January 29, 2008	US\$292,821	100%	Property development and property investment in the PRC	(ii)
青島寶龍商業物業管理有限公司 Qingdao Powerlong Commercial Property Management Company Limited	the PRC February 25, 2008	RMB4,000,000	100%	Property management in the PRC	(ii)
無錫寶龍商業物業管理有限公司 Wuxi Powerlong Commercial Property Management Company Limited . . .	the PRC April 8, 2008	RMB500,000	100%	Property management in the PRC	(iii)
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC May 13, 2008	US\$29,800,000	100%	Property development and property investment in the PRC	(ii)

APPENDIX I

ACCOUNTANTS' REPORT

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities and place of operation	Note
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC June 30, 2008	US\$49,567,907	100%	Property development and property investment in the PRC	(iii)
泰安寶龍大酒店有限公司 Tai'an Powerlong Hotel Co., Ltd.	the PRC June 5, 2009	—	100%	Hotel operation in the PRC	(iii)

Notes:

- (i) No statutory audited financial statements have been prepared for these subsidiaries as there were no statutory audit requirements.
- (ii) Statutory audited financial statements for the years ended December 31, 2006, 2007 and 2008 have been prepared by the following subsidiaries.

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Powerlong Real Estate (Hong Kong) Holdings Limited	Not Applicable	Not Applicable	PricewaterhouseCoopers
廈門華龍物業管理有限公司 Xiamen Hualong Property Agency Company Limited	廈門中會建會計師事務所 有限公司 Xiamen Zhonghuijian CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited
廈門百潤房地產顧問有限公司 Xiamen Bairun Property Consulting Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
廈門寶龍裝飾設計工程有限公司 Xiamen Powerlong Decoration Design Works Company Limited	廈門中會建會計師事務所 有限公司 Xiamen Zhonghuijian CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
晉江長源房地產發展有限公司 Jinjiang Changyuan Real Estate Development Co., Ltd.	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	福雲會計師事務所 Fuyun CPAs Company Limited	福建華茂會計師事務所 有限公司福清分公司 Fujian Huamao CPAs Company Limited, Fuqing Branch	福州華強會計師事務所 有限責任公司 Fuzhou Huaqiang CPAs Company Limited

APPENDIX I

ACCOUNTANTS’ REPORT

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
廈門寶龍設計諮詢有限公司 Xiamen Powerlong Design Consulting Company Limited.	廈門中會建會計師事務所 所有有限公司 Xiamen Zhonghuijian CPAs Company Limited	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
泉州市寶華房地產發展有限公司 Quanzhou Baohua Property Development Company Limited. . .	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	晉江德誠有限責任 會計師事務所 Jinjiang Decheng CPAs Company Limited
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	廈門銀興會計師事務所 有限公司 Xiamen Yinxing CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門大譽會計師事務所 有限公司 Xiamen Dayu CPAs Company Limited
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	河南中瑞會計師事務所 有限責任公司 Henan Zhongrui CPAs Company Limited	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited
福州寶龍商業經營管理有限公司 Fuzhou Powerlong Commercial Management Company Limited. . .	Not applicable	福州百鴻聯合會計師事務所 Fuzhou Baihong Associate CPAs Company Limited	福州東祥會計師事務所 有限責任公司 Fuzhou Dongxiang CPAs Company Limited
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	天津中審聯合會計師事務所 山東華嶽分所 Tianjin Zhongshenlian CPAs Company Limited	天津中審聯合有限責任 會計師事務所 Tianjin Zhongshenlian CPAs Company Limited Shandong Huayue Branch	泰安眾誠有限責任 會計師事務所 Tai'an Zhongcheng CPAs Company Limited
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited. . .	Not applicable	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office
廈門市金堅果企劃有限公司 Xiamen Jinjianguo Business Planning Company Limited.	Not applicable	廈門嘉泓會計師事務所 Xiamen Jiahong CPAs Company Limited	廈門中匯瑞豐會計師事務所 所有有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	青島信永達會計師事務所 所有有限責任公司 Qindao Xinyongda CPAs Company Limited	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	廈門欣洲會計師事務所 有限公司 Xiamen Xinzhou CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門大譽會計師事務所 有限公司 Xiamen Dayu CPAs Company Limited

APPENDIX I

ACCOUNTANTS’ REPORT

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
太倉寶華物業管理有限公司 Taicang Baohua Property Management Company Limited . . .	廈門銀興會計師事務所 有限公司 Xiamen Yinxing CPAs Company Limited	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	蘇州立德會計師事務所 Suzhou Leader CPAs Company Limited
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	Not applicable	江蘇恒新會計師事務所 有限公司 Jiangsu Hengxin CPAs Company Limited	無錫金達信會計師事務所 有限公司 Wuxi Jindaxin CPAs Company Limited
泰安寶龍商業物業管理有限公司 Tai'an Powerlong Commercial Property Management Company Limited	Not applicable	天津中審聯有限責任 會計師事務所 Tianjin Zhongshenlian CPAs Company Limited	泰安眾誠有限責任 會計師事務所 Tai'an Zhongcheng CPAs Company Limited
廈門原作建築設計諮詢有限公司 Xiamen Yuanzuo Architecture Design Consulting Company Limited	Not applicable	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
廈門華龍商業地產管理有限公司 Xiamen Hualong Commercial Property Management Company Limited	Not applicable	廈門永大會計師事務所 有限公司 Xiamen Yongda CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
蚌埠寶龍商業物業管理有限公司 Bengbu Powerlong Commercial Property Management Company Limited	Not applicable	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited	安徽華宇會計師事務所 Anhui Huayu CPAs Company Limited
河南華龍商業地產管理有限公司 Henan Hualong Commercial Property Management Company Limited . . .	Not applicable	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office	河南匯通會計師事務所 Henan Huitong Unitef CPAs Office
鄭州寶龍商業物業管理有限公司 Zhengzhou Powerlong Commercial Property Management Company Limited	Not applicable	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited
廈門寶龍地產管理有限公司 Xiamen Powerlong Real Estate Management Co., Ltd.	Not applicable	廈門晟遠會計師事務所 有限公司 Xiamen Shengyuan CPAs Company Limited	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	Not applicable	Not applicable	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited

APPENDIX I

ACCOUNTANTS’ REPORT

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited . . .	Not applicable	Not applicable	宿遷公興會計師事務所 有限公司 Suqian Gongxing CPAs Company Limited
烟台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	Not applicable	Not applicable	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Co., Ltd.	Not applicable	Not applicable	河南普天會計師事務所 有限公司 Henan Putian CPAs Company Limited
廈門聯商物流有限公司 Xiamen Lianshang Logistics Co., Ltd.	Not applicable	Not applicable	廈門中匯瑞豐會計師事務所 有限公司 Xiamen Zhonghui Ruifeng CPAs Company Limited
武夷山寶龍置業發展有限公司 Wuyishan Powerlong Real Estate Development Co., Ltd.	Not applicable	Not applicable	廈門欣洲會計師事務所 有限公司 Xiamen Xinzhou CPAs Company Limited
青島寶龍商業物業管理有限公司 Qingdao Powerlong Commercial Property Management Company Limited	Not applicable	Not applicable	青島振青會計師事務所 有限公司 Qingdao Zhenqing CPAs Company Limited
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	Not applicable	Not applicable	江蘇正中會計師事務所 有限公司 Jiangsu Zhengzhong CPAs Company Limited
(iii) No statutory audited financial statements has been prepared for these subsidiaries as they have not commenced operation up to December 31, 2008.			

The names of certain of the companies referred to in these Financial Information represent management’s best effort in translation of the Chinese names of these companies as no English names have been registered or available.

APPENDIX I

ACCOUNTANTS' REPORT

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods.

(a) Basis of preparation

The Financial Information for the Relevant Periods have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The Financial Information has been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties and embedded financial derivatives which are carried at fair values.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 below.

The following new standards, amendments to standards and interpretations have been issued that are mandatory for accounting periods beginning on or after July 1, 2009 or later periods and which the Group has not early adopted.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective for annual period beginning on or after July 1, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from January 1, 2010.
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after July 1, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from January 1, 2010 in its separate financial statements. This amendment is not relevant to the Group.
- HKFRS 3 (Revised), 'Business Combination' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or

APPENDIX I

ACCOUNTANTS' REPORT

at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) from January 1, 2010.

- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective for annual periods beginning on or after July 1, 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from January 1, 2010.
- There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analyzed in detail.
- In May 2009, the HKICPA published certain other improvements to the HKFRS which will be effective for period beginning on or after January 1, 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Cash flow statements
HKAS 17 (Amendment)	Leases
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 1 (Amendment)	Additional exception for first-time adapters
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3, Group cash-settled share-based payment transactions
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal groups) classified as held for sales or discontinued operations
HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC)-Int 16 (Amendment)	Hedges of a net investment in a foreign operation

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

(b) Merger accounting for common control combination

The Financial Information incorporate the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

APPENDIX I

ACCOUNTANTS’ REPORT

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognized as expenses in the period in which they are incurred.

(c) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganization which have been accounted for as a combination of businesses under common control in manner similar to pooling-of-interests as explained in note 2(b) of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between the Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company’s balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (note 2(i)). The results of subsidiaries are accounted by the Company on the basis of dividends received/receivable.

(d) Transaction with minority interests

The Group applies a policy of treating transaction with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company.

(f) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each companies comprising the Group are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). The Financial Information are presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(iii) *Group entities*

The results and financial positions of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the Group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the Group entities are translated at average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

(g) **Property and equipment**

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Motor vehicles	5 years
Furniture, fitting and equipment	3–10 years

The assets’ residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains and losses — net in the consolidated statement of comprehensive income.

APPENDIX I

ACCOUNTANTS’ REPORT

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortization of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and capitalized finance costs.

After initial recognition, investment property is carried at fair value. Property that is being constructed or developed for future use as investment property is classified as investment property under consideration. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed periodically by independent valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognized in the accounts.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values of investment property are recognized as “fair value gains on investment properties” in the consolidated statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated statement of comprehensive income.

APPENDIX I

ACCOUNTANTS' REPORT

(i) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, amortization of land use rights during the construction period, borrowing costs on qualifying assets, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realized in one normal operating cycle.

(k) Completed properties held for sale

Completed properties remaining unsold at the end of each Relevant Periods are stated at the lower of cost and net realizable value.

Cost comprises development costs attributable to the unsold properties.

Net realizable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized on trade date — the date on which the Group provides fund, products or services directly to a debtor who has no intention to exchange the receivables. Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the consolidated statement of comprehensive income.

Trade and other receivables are included in current assets, except for those mature after 12 months of the balance sheet date which are classified as non-current assets.

(m) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in "Restricted cash". Restricted cash are excluded from cash and cash equivalents included in the cash flow statements.

APPENDIX I

ACCOUNTANTS’ REPORT

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

(o) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(p) Borrowings, Secured Bonds and Secured Notes and borrowing costs

Borrowings and Secured Bonds and Secured Notes are recognized initially at fair value, net of transaction costs incurred. Borrowings and Secured Bonds and Secured Notes are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings and Secured Bonds and Secured Notes using the effective interest method.

Borrowings and Secured Bonds and Secured Notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

(q) Convertible Bonds and Secured Notes, embedded financial derivatives and Secured Bonds and Secured Notes

The Company issued RMB denominated Convertible Bonds and Secured Notes which can be converted to ordinary shares of the Company and redeemed under certain circumstances.

If the conversion of the Convertible Bonds will not result in delivering a fixed number of the Company’s own equity instruments in exchange for a fixed amount of cash or another financial asset, the Convertible Bonds contract will be separated into two component elements: a financial derivative component consisting of the embedded options and a debt component consisting of the straight debt element of the Convertible Bonds.

On the issue of the Convertible Bonds and Secured Notes, the fair value of the embedded financial derivatives were calculated using a valuation technique. The financial derivative component is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the consolidated statement of comprehensive income in the period when the change occurs. The remainder of the proceeds is allocated to debt component of the Convertible Bonds and Secured Notes, net of transaction costs, and is recorded as a liability. The debt component is subsequently carried at amortized cost until extinguished on conversion or redemption. Interest expense is calculated using the effective interest method by applying the effective interest rate to the debt component through the maturity date.

If the Convertible Bonds are converted, the carrying amounts of the financial derivative and debt components are transferred to share capital and share premium as consideration for the shares issued. If the Convertible Bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognized in consolidated statement of comprehensive income.

An exchange between the Company and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

APPENDIX I

ACCOUNTANTS' REPORT

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in consolidated statement of comprehensive income.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(r) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where the Group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

APPENDIX I

ACCOUNTANTS' REPORT

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(t) **Provisions and contingent liabilities**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

(u) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

Revenue is recognized as follows:

(i) *Sales of properties*

Revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Rental income*

Rental income of property leasing under operating leases is recognized on a straight-line basis over the lease terms.

(iii) *Property management*

Revenue arising from property management is recognized in the accounting period in which the services are rendered.

(iv) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(v) *Construction and decoration services*

Revenue arising from construction and decoration service is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(v) **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortized over the lease periods. The unamortized upfront payments are recognized as cost of sales when the relevant properties are sold.

(w) **Dividend distribution**

Dividend distribution to the then equity holders of the Group is recognized in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant Group companies.

(x) **Financial guarantee contracts**

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

APPENDIX I

ACCOUNTANTS' REPORT

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk factor

(i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds are in other foreign currencies. As at June 30, 2009, there are no significant non-RMB assets in the Group. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

(ii) *Interest rate risk*

Other than deposit held in banks, the Group does not have significant interest bearing assets. The average rate of deposits held in banks throughout the Relevant Periods was 0.72%. Any change in interest rates is not considered to have significant impact to the Group. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest-rate risk. At December 31, 2006, 2007 and 2008 and June 30, 2009, if interest rates on bank borrowings at those dates had been 0.5% higher/lower with all other variables held constant, interest charges for the year/period would have been RMB775,000, RMB1,652,000, RMB4,818,000 and RMB2,871,000 larger/smaller, mainly as a result of larger/smaller interest expense on floating rate borrowings.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, restricted cash and trade and other receivables.

For banks and financial institutions, deposits are only placed with reputable banks. The receivables from related companies during the Relevant Periods are of the nature of cash advance made to companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low. For the trade receivables arisen from sales of properties, the Group managed the credit risk by fully receiving cash before delivery of property or within three months after delivery of property. The Group has set-out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 32.

(iv) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

APPENDIX I

ACCOUNTANTS' REPORT

The Directors have prepared cash flow projections for the period from July 1, 2009 to December 31, 2010. In addition, management of the Group seek to effectively manage future cash flows and reduce exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting development schedule to ensure that the Group has available resources to finance projects of the Group, implementing cost control measures, adopting more flexible approach to pricing for property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of select investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for the balances of Convertible Bonds and Secured Notes and Secured Bonds and Secured Notes, balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At December 31, 2006					
Bank borrowings	37,940	101,538	—	—	139,478
Trade and other payables . .	<u>1,327,789</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,327,789</u>
At December 31, 2007					
Bank borrowings	96,731	631,913	111,523	19,947	860,114
Convertible Bonds and Secured Notes	1,083,061	—	—	—	1,083,061
Dividend payables	32,900	—	—	—	32,900
Trade and other payables . .	<u>891,869</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>891,869</u>
At December 31, 2008					
Bank borrowings	628,635	413,594	123,322	57,127	1,222,678
Secured Bonds and Secured Notes	943,160	—	—	—	943,160
Trade and other payables . .	<u>1,542,617</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,542,617</u>
At June 30, 2009					
Bank borrowings	718,694	195,323	88,070	39,219	1,041,306
Secured Bonds and Secured Notes	476,216	—	—	—	476,216
Trade and other payables . .	<u>2,344,411</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,344,411</u>

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

Consistent with other similar real estate companies, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total borrowings divided by total assets and multiplied by 100%. Total borrowings comprise Convertible Bonds and Secured Notes (note (18(a))), Secured Bonds and Secured Notes (note (18(b))) and bank borrowings (note (17)), as shown in the consolidated balance sheet.

APPENDIX I

ACCOUNTANTS' REPORT

During the Relevant Periods, the Group's strategy was to maintain a gearing ratio within 30%. The gearing ratios at December 31, 2006, 2007 and 2008 and June 30, 2009 were as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	129,000	1,544,709	1,944,815	1,403,135
Total assets	3,392,090	6,273,471	8,571,015	9,104,361
Gearing ratio	3.8%	24.6%	22.7%	15.4%

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date, quoted market prices or dealer quotes for similar instruments or estimated discounted cash flows.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalized its PRC land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognized these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalized with local tax authorities.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Convertible Bonds and Secured Notes, embedded financial derivatives and Secured Bonds and Secured Notes

As described in note 18, the Company’s Convertible Bonds and Secured Notes contain a number of embedded financial derivatives that are measured at fair value through profit or loss. The Company engaged an independent valuer to assist it in determining the fair value of these embedded financial derivatives. The determination of fair value was made after consideration of a number of factors, including but not limited to: the Group’s financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group’s business; the nature and prospects of the PRC property market; the Group’s business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

(d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

5. SEGMENT INFORMATION

The board of directors of the Company, which is the chief operating decision-maker of the Group, reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organized into four business segments: property development, property investment, property management and other property development related services. As chief operating decision-maker of the Group considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC, the Group’s consolidated assets are substantially located inside the PRC, no geographical information is presented.

APPENDIX I

ACCOUNTANTS' REPORT

Revenue consists of sales of properties, rental income of investment properties, property management services and other property development related services. Revenue of the Relevant Periods consists of the following:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of properties	399,306	982,693	1,511,760	641,285	1,255,624
Rental income of investment properties	150	32,219	53,290	24,465	28,407
Property management services . .	2,975	7,859	15,955	7,026	10,298
Other property development related services	325	3,066	2,761	2,333	—
	<u>402,756</u>	<u>1,025,837</u>	<u>1,583,766</u>	<u>675,109</u>	<u>1,294,329</u>

The segment results and other segment items included in the profit for the year ended December 31, 2006 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	399,306	150	2,975	58,656	—	461,087
Inter-segment revenue	—	—	—	(58,331)	—	(58,331)
Revenue	<u>399,306</u>	<u>150</u>	<u>2,975</u>	<u>325</u>	<u>—</u>	<u>402,756</u>
Segment results	128,835	121,271	31	16,482	(13,837)	252,782
Profit before income tax						252,782
Income tax						<u>(129,741)</u>
Profit for the year						<u>123,041</u>
Depreciation (note 6) . .	1,681	—	46	180	—	1,907
Amortization of land use rights recognized as expenses	7,576	—	—	—	—	7,576
Fair value gains on investment properties (note 8)	—	121,121	—	—	—	<u>121,121</u>

APPENDIX I

ACCOUNTANTS' REPORT

The segment results and other segment items included in the profit for the year ended December 31, 2007 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	982,693	32,219	7,859	65,457	—	1,088,228
Inter-segment revenue	—	—	—	(62,391)	—	(62,391)
Revenue	<u>982,693</u>	<u>32,219</u>	<u>7,859</u>	<u>3,066</u>	<u>—</u>	<u>1,025,837</u>
Segment results	464,858	549,304	27	12,746	13,837	1,040,772
Unallocated operating costs						(9,248)
Finance costs						<u>(3,401)</u>
Profit before income tax						1,028,123
Income tax						<u>(421,382)</u>
Profit for the year						<u><u>606,741</u></u>
Depreciation (note 6)	3,812	—	81	266	—	4,159
Amortization of land use rights recognized as expenses	4,823	—	—	—	—	4,823
Fair value gains on investment properties (note 8)	<u>—</u>	<u>533,035</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u><u>533,035</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

The segment results and other segment items included in the profit for the year ended December 31, 2008 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	1,511,760	53,290	15,955	16,163	—	1,597,168
Inter-segment revenue	—	—	—	(13,402)	—	(13,402)
Revenue	<u>1,511,760</u>	<u>53,290</u>	<u>15,955</u>	<u>2,761</u>	<u>—</u>	<u>1,583,766</u>
Segment results	550,175	842,727	5,450	(7,402)	(364)	1,390,586
Unallocated operating costs						(59,468)
Fair value losses on embedded financial derivatives						(14,834)
Finance costs						<u>(33,655)</u>
Profit before income tax						1,282,629
Income tax						<u>(345,313)</u>
Profit for the year						<u><u>937,316</u></u>
Depreciation (note 6) . .	4,595	—	229	1,565	—	6,389
Amortization of land use rights recognized as expenses	5,735	—	—	—	—	5,735
Fair value gains on investment properties (note 8)	<u>—</u>	<u>856,040</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u><u>856,040</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

The segment results and other segment items included in the profit for the six months ended June 30, 2009 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	1,255,624	28,407	10,298	25,157	—	1,319,486
Inter-segment revenue	—	—	—	(25,157)	—	(25,157)
Revenue	<u>1,255,624</u>	<u>28,407</u>	<u>10,298</u>	<u>—</u>	<u>—</u>	<u>1,294,329</u>
Segment results	575,839	12,626	11,982	2,974	—	603,421
Unallocated operating costs						(17,718)
Finance costs						<u>(2,716)</u>
Profit before income tax						582,987
Income tax						<u>(254,419)</u>
Profit for the period . . .						<u><u>328,568</u></u>
Depreciation (note 6) . .	2,618	—	225	921	—	3,764
Amortization of land use rights recognized as expenses	7,896	—	—	—	—	7,896
Fair value gains on investment properties (note 8)	<u>—</u>	<u>2,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u><u>2,400</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

The segment results and other segment items included in the profit for the six months ended June 30, 2008 are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Gross segment revenue	641,285	24,465	7,026	30,237	—	703,013
Inter-segment revenue	—	—	—	(27,904)	—	(27,904)
Revenue	<u>641,285</u>	<u>24,465</u>	<u>7,026</u>	<u>2,333</u>	<u>—</u>	<u>675,109</u>
Segment results	175,008	25,745	654	6,895	(586)	207,716
Unallocated operating costs						(27,727)
Fair value losses on embedded financial derivatives						(14,834)
Finance costs						<u>(31,320)</u>
Profit before income tax						133,835
Income tax						<u>(79,388)</u>
Profit for the period						<u><u>54,447</u></u>
Depreciation (note 6)	2,057	—	58	744	—	2,859
Amortization of land use rights recognized as expenses	2,075	—	—	—	—	2,075
Fair value gains on investment properties (note 8)	<u>—</u>	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,000</u>

Segment assets and liabilities as at December 31, 2006 and capital expenditure for the year then ended are as follows:

	Property development	Property investment	Property management services	Other property development related services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,231,425	1,296,359	9,583	94,821	(117,133)	2,515,055
Other assets						<u>877,035</u>
Total assets						<u><u>3,392,090</u></u>
Segment liabilities	1,984,036	10,118	3,886	62,636	(103,296)	1,957,380
Other liabilities						<u>690,411</u>
Total liabilities						<u><u>2,647,791</u></u>
Capital expenditures	<u>1,215,874</u>	<u>372,754</u>	<u>121</u>	<u>398</u>	<u>—</u>	<u>1,589,147</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Segment assets and liabilities as at December 31, 2007 and capital expenditure for the year then ended are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Other property development related services</u>	<u>Elimination</u>	<u>Group</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	2,419,097	2,731,692	10,711	191,651	(119,702)	5,233,449
Other assets						<u>1,040,022</u>
Total assets						<u>6,273,471</u>
Segment liabilities	2,938,157	28,496	7,908	24,432	(39,399)	2,959,594
Other liabilities						<u>2,228,577</u>
Total liabilities						<u>5,188,171</u>
Capital expenditures	<u>130,882</u>	<u>950,591</u>	<u>293</u>	<u>4,189</u>	<u>—</u>	<u>1,085,955</u>

Segment assets and liabilities as at December 31, 2008 and capital expenditure for the year then ended are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Other property development related services</u>	<u>Elimination</u>	<u>Group</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	4,254,089	3,713,261	13,466	311,109	(184,228)	8,107,697
Other assets						<u>463,318</u>
Total assets						<u>8,571,015</u>
Segment liabilities	3,029,190	29,288	30,572	115,234	(88,282)	3,116,002
Other liabilities						<u>3,411,541</u>
Total liabilities						<u>6,527,543</u>
Capital expenditures	<u>556,668</u>	<u>355,763</u>	<u>1,170</u>	<u>1,794</u>	<u>—</u>	<u>915,395</u>

APPENDIX I

ACCOUNTANTS' REPORT

Segment assets and liabilities as at June 30, 2009 and capital expenditure for the six months then ended are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Other property development related services</u>	<u>Elimination</u>	<u>Group</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	4,447,454	4,044,432	16,510	361,225	(276,833)	8,592,788
Other assets						<u>511,573</u>
Total assets						<u><u>9,104,361</u></u>
Segment liabilities	2,777,450	24,326	51,155	241,273	(131,228)	2,962,976
Other liabilities						<u>3,769,345</u>
Total liabilities						<u><u>6,732,321</u></u>
Capital expenditures	<u>179,422</u>	<u>51,160</u>	<u>142</u>	<u>76</u>	<u>—</u>	<u><u>230,800</u></u>

Reportable segments' assets are reconciled to total assets as follows:

	<u>December 31,</u>			<u>June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	2,515,055	5,233,449	8,107,697	8,592,788
Other assets				
Prepaid taxes	30,237	79,527	120,109	66,275
Deferred tax assets	23,136	40,502	38,408	43,769
Cash and cash equivalents of holding companies	—	842,453	50,358	49,627
Cash advances made to related parties (note 34(d))	823,662	62,371	236,924	326,657
Properties, plants and equipment of holding companies	—	3,742	3,700	2,987
Other corporate assets	<u>—</u>	<u>11,427</u>	<u>13,819</u>	<u>22,258</u>
Total assets per consolidated balance sheets	<u><u>3,392,090</u></u>	<u><u>6,273,471</u></u>	<u><u>8,571,015</u></u>	<u><u>9,104,361</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

Reportable segments liabilities are reconciled to total liabilities as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Segment liabilities	1,957,380	2,959,594	3,116,002	2,962,976
Other liabilities				
Income tax payables	64,961	326,457	371,584	540,549
Deferred tax liabilities	39,970	163,539	367,692	366,706
Interests payable	—	—	55,034	23,308
Dividend payable	—	32,900	32,900	32,900
Current borrowings	30,000	42,440	563,727	683,035
Non-current borrowings	99,000	717,845	547,276	305,130
Cash advances from related parties	456,480	—	633,179	1,397,988
Convertible Bonds and Secured Notes . .	—	784,424	—	—
Embedded financial derivatives	—	156,082	—	—
Secured Bonds and Secured Notes	—	—	833,812	414,970
Other corporate liabilities	—	4,890	6,337	4,759
Total liabilities per consolidated balance sheets	<u>2,647,791</u>	<u>5,188,171</u>	<u>6,527,543</u>	<u>6,732,321</u>

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances.

Segment liabilities consist of operating liabilities.

APPENDIX I

ACCOUNTANTS' REPORT

6. PROPERTY AND EQUIPMENT — GROUP

	Assets under construction	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006					
Cost	505	—	6,096	2,715	9,316
Accumulated depreciation	—	—	(1,158)	(708)	(1,866)
Net book amount	<u>505</u>	<u>—</u>	<u>4,938</u>	<u>2,007</u>	<u>7,450</u>
Year ended December 31, 2006					
Opening net book amount	505	—	4,938	2,007	7,450
Additions	9,701	—	5,926	2,895	18,522
Disposals	—	—	—	(5)	(5)
Depreciation	—	—	(1,153)	(754)	(1,907)
Closing net book amount	<u>10,206</u>	<u>—</u>	<u>9,711</u>	<u>4,143</u>	<u>24,060</u>
At December 31, 2006					
Cost	10,206	—	12,022	5,605	27,833
Accumulated depreciation	—	—	(2,311)	(1,462)	(3,773)
Net book amount	<u>10,206</u>	<u>—</u>	<u>9,711</u>	<u>4,143</u>	<u>24,060</u>
Year ended December 31, 2007					
Opening net book amount	10,206	—	9,711	4,143	24,060
Additions	75,494	—	4,348	6,213	86,055
Transfer from completed properties held for sale	—	20,179	—	—	20,179
Disposals	—	—	(120)	(205)	(325)
Depreciation	—	(504)	(2,442)	(1,213)	(4,159)
Closing net book amount	<u>85,700</u>	<u>19,675</u>	<u>11,497</u>	<u>8,938</u>	<u>125,810</u>
At December 31, 2007					
Cost	85,700	20,179	16,064	11,355	133,298
Accumulated depreciation	—	(504)	(4,567)	(2,417)	(7,488)
Net book amount	<u>85,700</u>	<u>19,675</u>	<u>11,497</u>	<u>8,938</u>	<u>125,810</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Assets under construction	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2008					
Opening net book amount	85,700	19,675	11,497	8,938	125,810
Additions	99,942	—	6,464	1,950	108,356
Disposals	—	—	(1,251)	(377)	(1,628)
Depreciation	—	(480)	(3,529)	(2,380)	(6,389)
Closing net book amount	<u>185,642</u>	<u>19,195</u>	<u>13,181</u>	<u>8,131</u>	<u>226,149</u>
At December 31, 2008					
Cost	185,642	20,179	20,498	12,473	238,792
Accumulated depreciation	<u>—</u>	<u>(984)</u>	<u>(7,317)</u>	<u>(4,342)</u>	<u>(12,643)</u>
Net book amount	<u>185,642</u>	<u>19,195</u>	<u>13,181</u>	<u>8,131</u>	<u>226,149</u>
Six months ended June 30, 2009					
Opening net book amount	185,642	19,195	13,181	8,131	226,149
Additions	18,437	—	410	377	19,224
Disposals	—	—	(86)	(53)	(139)
Depreciation	<u>—</u>	<u>(376)</u>	<u>(2,650)</u>	<u>(738)</u>	<u>(3,764)</u>
Closing net book amount	<u>204,079</u>	<u>18,819</u>	<u>10,855</u>	<u>7,717</u>	<u>241,470</u>
At June 30, 2009					
Cost	204,079	20,179	20,116	13,262	257,636
Accumulated depreciation	<u>—</u>	<u>(1,360)</u>	<u>(9,261)</u>	<u>(5,545)</u>	<u>(16,166)</u>
Net book amount	<u>204,079</u>	<u>18,819</u>	<u>10,855</u>	<u>7,717</u>	<u>241,470</u>
Unaudited:					
Six months ended June 30, 2008					
Opening net book amount	85,700	19,675	11,497	8,938	125,810
Additions	57,509	—	5,126	786	63,421
Disposals	—	—	(114)	(241)	(355)
Depreciation	<u>—</u>	<u>(240)</u>	<u>(1,544)</u>	<u>(1,075)</u>	<u>(2,859)</u>
Closing net book amount	<u>143,209</u>	<u>19,435</u>	<u>14,965</u>	<u>8,408</u>	<u>186,017</u>
At June 30, 2008					
Cost	143,209	20,179	20,748	11,863	195,999
Accumulated depreciation	<u>—</u>	<u>(744)</u>	<u>(5,783)</u>	<u>(3,455)</u>	<u>(9,982)</u>
Net book amount	<u>143,209</u>	<u>19,435</u>	<u>14,965</u>	<u>8,408</u>	<u>186,017</u>

APPENDIX I

ACCOUNTANTS' REPORT

Depreciation charges were included in the following categories in the consolidated statement of comprehensive incomes:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	359	392	1,056	515	434
Selling and marketing costs	86	496	678	315	373
Administrative expenses	1,462	3,271	4,655	2,029	2,957
	<u>1,907</u>	<u>4,159</u>	<u>6,389</u>	<u>2,859</u>	<u>3,764</u>

As at December 31, 2007 and 2008 and June 30, 2009, assets under construction with net book amounts totaling RMB26,663,000, RMB136,029,000 and RMB154,025,000, respectively, were pledged as collateral for the Group's borrowings (note 17). There is no asset under construction being pledged as at December 31, 2006.

Borrowing costs of RMB923,000, RMB4,842,000 and RMB3,061,000 have been capitalized in assets under construction for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively. No borrowing cost has been capitalized in assets under construction for the year ended December 31, 2006.

The capitalization rate of borrowings is 6.83%, 15.22% and 12.21% for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively.

7. LAND USE RIGHTS — GROUP

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening net book amount	116,273	728,018	713,184	713,184	1,155,236
Additions	665,320	79,127	472,170	232,587	187,120
Transfer from investment properties (note 8)	—	—	156,337	—	—
Amortization	(18,627)	(27,573)	(26,013)	(7,687)	(15,279)
Transfer to cost of sales	<u>(34,948)</u>	<u>(66,388)</u>	<u>(160,442)</u>	<u>(54,973)</u>	<u>(131,777)</u>
Ending net book amount	728,018	713,184	1,155,236	883,111	1,195,300
Amounts to be realized within one normal operating cycle included in current assets	<u>(688,102)</u>	<u>(674,327)</u>	<u>(1,116,746)</u>	<u>(844,760)</u>	<u>(1,157,326)</u>
Land use rights included in non- current assets	<u>39,916</u>	<u>38,857</u>	<u>38,490</u>	<u>38,351</u>	<u>37,974</u>

APPENDIX I

ACCOUNTANTS' REPORT

	December 31,			June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Outside Hong Kong, held on leases of:					
Over 50 years	261,887	327,763	464,242	398,337	568,885
Between 10 to 50 years	<u>466,131</u>	<u>385,421</u>	<u>690,994</u>	<u>484,774</u>	<u>626,415</u>
	<u>728,018</u>	<u>713,184</u>	<u>1,155,236</u>	<u>883,111</u>	<u>1,195,300</u>

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, land use rights of RMB108,119,000, RMB281,614,000, RMB481,781,000 and RMB422,358,000, respectively, were pledged as collateral for the Group's borrowings (note 17).

As at December 31, 2008 and June 30, 2009, land use rights of RMB56,226,000 and RMB209,956,000, respectively, were pledged as collateral for borrowings of the Group's related parties (note 34). All such pledge have been released by [●], 2009.

APPENDIX I

ACCOUNTANTS' REPORT

8. INVESTMENT PROPERTIES — GROUP

	Completed properties	Properties under construction	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	219,811	219,811
Addition	—	905,305	905,305
Transfers	22,879	(22,879)	—
Fair value gains	121,121	—	121,121
At December 31, 2006	144,000	1,102,237	1,246,237
Addition	—	900,594	900,594
Transfers	371,407	(371,407)	—
Transfer from completed properties held for sale	24,558	—	24,558
Fair value gains	533,035	—	533,035
At December 31, 2007	1,073,000	1,631,424	2,704,424
Addition	—	334,869	334,869
Transfer to properties under development	—	(265,700)	(265,700)
Transfer to land use rights (note 7)	—	(156,337)	(156,337)
Transfers	325,362	(325,362)	—
Disposal of investment properties (note 23(d))	(81,402)	—	(81,402)
Fair value gains	856,040	—	856,040
At December 31, 2008	2,173,000	1,218,894	3,391,894
Addition	4,137	24,666	28,803
Disposal of investment properties (note 23(d))	(10,637)	—	(10,637)
Fair value gains	2,400	—	2,400
At June 30, 2009	2,168,900	1,243,560	3,412,460
Unaudited			
At January 1, 2008	1,073,000	1,631,424	2,704,424
Addition	—	49,232	49,232
Fair value gains	12,000	—	12,000
At June 30, 2008	1,085,000	1,680,656	2,765,656

The completed investment properties were revalued at December 31, 2006, 2007 and 2008 and June 30, 2008 and 2009 by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. The valuations were based on either capitalization of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property, or by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The management of the Group has concluded that the fair value of its investment properties under construction as at December 31, 2006, 2007, and June 30, 2008 and 2009 cannot be measured reasonably, therefore, the Group's investment properties under construction continue to be measured at cost until construction is completed.

APPENDIX I

ACCOUNTANTS' REPORT

The following amounts have been recognized in the consolidated statement of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income	150	32,219	53,290	24,465	28,407
Direct operating expenses arising from investment properties that generate rental income	—	(8,716)	(15,096)	(5,503)	(6,613)
Direct operating expenses that did not generate rental income . . .	—	(968)	(11,817)	(611)	(4,164)
	<u>150</u>	<u>(968)</u>	<u>(11,817)</u>	<u>(611)</u>	<u>(4,164)</u>

The Group owned 100% interests in the investment properties, which are held on leases of between 10 to 50 years in the PRC as at December 31, 2006, 2007 and 2008 and June 30, 2009.

As at December 31, 2008 and June 30, 2009, investment properties of RMB49,458,000 and RMB469,965,000, respectively, were pledged as collateral for borrowings of the Group's related parties (note 34). All such pledge have been released by [●], 2009.

Borrowing costs of RMB2,084,000, RMB6,915,000, RMB109,571,000 and RMB20,128,000 have been capitalized in investment properties for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

The capitalization rate of borrowings is 6.03%, 6.83%, 15.22% and 12.21% for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the investment properties amounting to RMB333,641,000, RMB1,129,994,000, RMB2,210,102,000 and RMB2,044,588,000 were pledged as collateral for the Group's borrowings (note 17).

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year.	2,007	2,007	2,007	2,007
Later than one year and no later than five years.	8,028	8,028	8,028	8,028
Later than five years.	10,537	8,529	6,523	4,516
	<u>20,572</u>	<u>18,564</u>	<u>16,558</u>	<u>14,551</u>

APPENDIX I

ACCOUNTANTS' REPORT

9. PROPERTIES UNDER DEVELOPMENT — GROUP

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development include:				
Construction costs and capitalized expenditures	233,476	801,392	1,343,793	1,443,064
Interests capitalized	5,969	15,375	209,090	268,713
Amortization of land use rights	3,779	13,224	24,347	25,452
	<u>243,224</u>	<u>829,991</u>	<u>1,577,230</u>	<u>1,737,229</u>

The properties under development are all located in the PRC.

As at December 31, 2007 and 2008 and June 30, 2009, properties under development of approximately RMB132,265,000, RMB582,920,000 and RMB530,257,000, respectively, were pledged as collateral for the Group's borrowings (note 17). No properties under development were pledged as collateral for the Group's borrowings as at December 31, 2006.

The capitalization rate of borrowings is 6.83%, 15.22% and 12.21% for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, respectively.

10. COMPLETED PROPERTIES HELD FOR SALE — GROUP

The completed properties held for sale are all located in the PRC.

As at December 31, 2006 and 2008 and June 30, 2009, completed properties held for sale of approximately RMB23,419,000, RMB263,759,000 and RMB271,523,000, respectively, were pledged as collateral for the Group's borrowings (note 17). No completed properties held for sale was pledged as collateral for the Group's borrowings as at December 31, 2007.

APPENDIX I

ACCOUNTANTS' REPORT

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group				Company		
	December 31,		June 30,		December 31,		June 30,
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables — third parties (note (a))	1,861	28,239	56,290	111,101	—	—	—
Other receivables from:	838,348	98,680	262,978	353,547	181,800	910,705	451,886
— Related parties (note 34(d)(i)) . . .	823,662	62,371	236,924	326,657	—	—	—
— Subsidiaries.	—	—	—	—	181,800	910,705	451,886
— Third parties	14,686	36,309	26,054	26,890	—	—	—
Prepaid business taxes and other taxes	43,544	91,242	92,016	86,038	—	—	—
Prepayments for acquisition of properties — related parties (note 34(d)(ii))	—	—	300,000	600,000	—	—	—
Prepayments for acquisition of land use rights.	—	332,184	677,740	528,387	—	—	—
Prepayments for construction fee — third parties	9,619	12,403	6,543	16,059	—	—	—
Other prepayments.	—	7,947	12,534	20,785	7,947	12,534	20,785
	<u>893,372</u>	<u>570,695</u>	<u>1,408,101</u>	<u>1,715,917</u>	<u>189,747</u>	<u>923,239</u>	<u>472,671</u>

- (a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee is paid in accordance with the terms of the related sales and purchase agreements and rental contracts. Trade receivables at December 31, 2006, 2007 and 2008 and June 30, 2009 were aged less than 90 days.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the fair value of trade and other receivables approximated their carrying amounts.

Trade receivables and other receivables are unsecured and interest free. The Group's trade and other receivables and prepayments are denominated in RMB. No material trade and other receivables were past due as at December 31, 2006, 2007 and 2008 and June 30, 2009.

12. INVESTMENT IN A SUBSIDIARY

	Company	
	December 31, 2007 and 2008 and June 30, 2009	
	HK\$	Equivalent of RMB
Investment in an unlisted subsidiary, at cost.	<u>100</u>	<u>97</u>

Details of the principal subsidiaries of the Group at the date of this report are set out in note 1 of section II.

APPENDIX I

ACCOUNTANTS’ REPORT

13. RESTRICTED CASH — GROUP

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee deposit for construction of projects (note (a))	5,355	20,172	22,554	27,686
Guarantee deposit for bank borrowings (note (b))	—	7,181	3,722	2,533
Guarantee deposit for a pending legal claim (note (c))	—	—	—	18,400
Others (note (d))	—	—	4,836	5,077
	<u>5,355</u>	<u>27,353</u>	<u>31,112</u>	<u>53,696</u>

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) Pursuant to a bank loan agreement entered into between Fuzhou Powerlong and a bank in March 2007, Fuzhou Powerlong is required to place all proceeds from lease of properties, which have been pledged to the bank as collateral of the loan, in a designated bank account. The deposit can be drawn out after obtaining approval from the bank, but the remaining balance of the deposit should not be less than three months’ bank loan repayment instalments. During the year ended December 31, 2007 and 2008 and the six months ended June 30, 2009, the lease proceeds placed in the designated bank account amounted to RMB10,600,000, RMB6,582,000 and RMB3,448,000 and cash of RMB9,427,000, RMB4,157,000 and RMB4,644,000 has been subsequently drawn out by the Group. The deposits amounted to RMB1,173,000, RMB3,598,000 and RMB2,402,000 as at December 31, 2007, 2008 and June 30, 2009, respectively.

Pursuant to a bank loan agreement entered into between Bengbu Powerlong Real Estate Development Co., Ltd. (“Bengbu Powerlong”) and a bank in November 2007, Bengbu Powerlong is required to place certain proceeds from sales of properties in a designated bank account to secure the loan of RMB185,000,000 borrowed from the bank. The deposits can be drawn out after obtaining the approval from the banks. As at December 31, 2007 and 2008 and June 30, 2009, the deposits placed in this bank account amounted to RMB6,008,000, RMB124,000 and RMB131,000, respectively.

(c) The amount comprises guarantee deposit for a legal claim brought against the Group by a customer. Subsequent to June 30, 2009, the Group has entered into an agreement with the customer to settle such claim and the guarantee deposit will be returned to the Group.

(d) Others mainly include guarantee deposits for rental contracts and letter of credit.

All restricted cash are denominated in RMB.

APPENDIX I

ACCOUNTANTS' REPORT

14. CASH AND CASH EQUIVALENTS

	Group				Company		
	December 31,		June 30,		December 31,		June 30,
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:							
— Denominated in RMB	48,519	229,600	205,109	269,485	—	—	—
— Denominated in HK\$	9	932,966	193	2,754	785,746	—	—
	<u>48,528</u>	<u>1,162,566</u>	<u>205,302</u>	<u>272,239</u>	<u>785,746</u>	<u>—</u>	<u>—</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

15. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share	Share premium	Total
				RMB'000	RMB'000	RMB'000
Authorized:						
Ordinary shares of US\$1.00 each upon incorporation	(a)	50,000	US\$50,000			
Ordinary shares cancelled of US\$1.00 each	(c)	(50,000)	US\$(50,000)			
Increase and revision in authorized share capital	(c)	<u>30,000,000,000</u>	<u>HK\$300,000,000</u>			
		<u>30,000,000,000</u>	<u>HK\$300,000,000</u>			
Issued and fully paid:						
Issue of ordinary shares	(b)	100	US\$100	1	—	1
Revision in issued share capital	(c)	<u>(100)</u>	<u>US\$(100)</u>	<u>(1)</u>	<u>1</u>	<u>—</u>
As at December 31, 2007		—	—	—	1	1
Issue of ordinary shares	(d)	<u>3,000,000,000</u>	<u>HK\$30,000,000</u>	<u>26,658</u>	<u>—</u>	<u>26,658</u>
As at December 31, 2008 and June 30, 2009		<u>3,000,000,000</u>	<u>HK\$30,000,000</u>	<u>26,658</u>	<u>1</u>	<u>26,659</u>

(a) On July 18, 2007, the date of incorporation of the Company, the authorized share capital of the Company was US\$50,000 divided into 50,000 shares of US\$1.00 each.

APPENDIX I

ACCOUNTANTS' REPORT

- (b) On August 6, 2007, 100 ordinary shares of the Company were allotted and issued at par value of US\$1.00 each to the equity holders of the Company.

- (c) Share redenomination

On December 14, 2007, the Company's shares were redenominated, pursuant to which:

- (i) 100 authorised and issued ordinary shares of the Company of US\$1.00 each were repurchased, cancelled and transferred to the share premium account;
- (ii) The authorized but unissued share capital of the Company was reduced by the cancellation of 49,900 shares of US\$1.00 each; and
- (iii) The authorized share capital of the Company was increased to HK\$300,000,000 by the creation of 30,000,000,000 shares of HK\$0.01 each.
- (d) Also on December 14, 2007, the Company issued 3,000,000,000 ordinary shares at par value of HK\$0.01 each. The cash consideration of HK\$30,000,000 has been received on June 4, 2008.

16. RESERVES — GROUP

	Merger reserves	Statutory reserves	Total
	RMB'000	RMB'000	RMB'000
	(note (a))	(note (b))	
Balance at January 1, 2006	392,344	4,780	397,124
Capital injections to subsidiaries by their then equity holders . .	<u>185,134</u>	<u>—</u>	<u>185,134</u>
Balance at December 31, 2006	577,478	4,780	582,258
Capital injections to subsidiaries by their then equity holders . .	203,272	—	203,272
Deemed distributions to the then equity holders of the Group (note (a))	<u>(443,547)</u>	<u>—</u>	<u>(443,547)</u>
Balance at December 31, 2007, 2008 and June 30, 2009	<u><u>337,203</u></u>	<u><u>4,780</u></u>	<u><u>341,983</u></u>

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired during the Reorganization. Movement of merger reserve for the year ended December 31, 2007 includes cash considerations paid and payable to the Controlling Shareholder totaling RMB443,547,000 in relation to the Reorganization mentioned in note 1(b) of section II which have been treated as a deemed distribution to then equity holder of the Group in the consolidated statement of changes in equity.

(b) Statutory reserves

Pursuant to the relevant laws and regulation in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of net profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the PRC enterprises or distribute to equity holders in form of bonus issue.

APPENDIX I

ACCOUNTANTS' REPORT

17. BORROWINGS — GROUP

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings — secured (note (a))	129,000	733,285	1,111,003	968,165
Bank borrowings — unsecured (note (b))	—	27,000	—	—
	129,000	760,285	1,111,003	968,165
Less: Amounts due within one year	(30,000)	(42,440)	(563,727)	(663,035)
	<u>99,000</u>	<u>717,845</u>	<u>547,276</u>	<u>305,130</u>
Borrowings included in current liabilities:				
Short-term borrowings — secured (note (a))	—	—	—	20,000
Current portion of long-term borrowings	<u>30,000</u>	<u>42,440</u>	<u>563,727</u>	<u>663,035</u>

(a) The Group's total borrowing of RMB129,000,000, RMB733,285,000, RMB1,111,003,000 and RMB988,165,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were secured by its assets under construction (note 6), land use rights (note 7), investment properties (note 8), properties under development (note 9) and completed properties held for sale (note 10).

In addition, the secured borrowings of RMB49,000,000, RMB670,285,000, RMB795,977,000 and RMB609,832,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were additionally guaranteed by related parties.

(b) As at December 31, 2007, bank borrowings of RMB27,000,000 was guaranteed by Xiamen Powerlong Group. Such guarantee has been released in 2008.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less	6–12 months	1–5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:					
At December 31, 2006	99,000	—	—	—	99,000
At December 31, 2007	527,845	190,000	—	—	717,845
At December 31, 2008	547,276	—	—	—	547,276
At June 30, 2009	<u>203,334</u>	<u>101,796</u>	<u>—</u>	<u>—</u>	<u>305,130</u>
Borrowings included in current liabilities:					
At December 31, 2006	30,000	—	—	—	30,000
At December 31, 2007	42,440	—	—	—	42,440
At December 31, 2008	399,727	164,000	—	—	563,727
At June 30, 2009	<u>635,650</u>	<u>47,385</u>	<u>—</u>	<u>—</u>	<u>683,035</u>

APPENDIX I

ACCOUNTANTS' REPORT

The maturity of the borrowings included in non-current liabilities is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:				
1–2 years	99,000	592,000	391,970	185,255
2–5 years	—	108,786	106,864	84,142
Over 5 years	—	17,059	48,442	35,733
	<u>99,000</u>	<u>717,845</u>	<u>547,276</u>	<u>305,130</u>

The effective interest rates at December 31, 2006, 2007, 2008 and June 30, 2009 are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	<u>6.03%</u>	<u>7.40%</u>	<u>7.12%</u>	<u>6.42%</u>

The fair value of borrowings approximates their carrying amounts.

The carrying amounts of the Group's borrowings at December 31, 2006, 2007, 2008 and June 30, 2009 are denominated in RMB.

As at December 31, 2006, 2007, 2008 and June 30, 2009, the Group has the following undrawn borrowing facilities:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Floating rate				
— expiring within one year	<u>40,000</u>	<u>148,000</u>	<u>92,000</u>	<u>122,000</u>

The borrowing facilities are arranged for property development of the Group. As of August 31, 2009, the Group has undrawn banking facilities amounting to RMB413,000,000.

18. CONVERTIBLE BONDS AND SECURED NOTES, EMBEDDED FINANCIAL DERIVATIVES AND SECURED BONDS AND SECURED NOTES

(a) Convertible Bonds and Secured Notes and embedded financial derivatives

On December 14, 2007, the Company, Mr. Hoi, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan and Macquarie Capital Securities Limited entered into a subscription agreement, pursuant to which the Company issued Convertible Bonds at a consideration of RMB409,581,000 and Secured Notes at a consideration of RMB614,371,000. The Convertible Bonds and Secured Notes are denominated in RMB and to be settled in HK\$.

The payments and other obligations of the Company in relation to the Convertible Bonds and Secured Notes are secured by the first priority share mortgage of all issued share capital of the Company, Powerlong BVI and Powerlong HK and the first priority charge over an escrow account of the Company.

APPENDIX I

ACCOUNTANTS' REPORT

The principal terms of the Convertible Bonds are as follows:

(i) *Interest rate*

The interest rate of the Convertible Bonds is 5% per annum from the issue date to June 29, 2008 and 8.5% from June 30, 2008 to September 30, 2008 if the date of [●] (the "Date") falls on or before September 30, 2008, and 4% from the Date to the third anniversary of the Date.

(ii) *Maturity*

The Convertible Bonds are due in the third anniversary of the Date, and is redeemable at 105% of the principal amount upon maturity.

(iii) *Conversion*

The Convertible Bonds can be converted into ordinary shares of the Company at the option of the holders at any time on or after 60 days subsequent to the Date or, pursuant to designation requested by the Stock Exchange, a later date not later than six months after the Date, up to 15 days prior to the maturity or, if the Convertible Bonds have been called for redemption before such date, then up to five business days prior to the specified early redemption date. The conversion price is the share offering price at [●] and subject to adjustments under certain circumstances (the "Conversion Price").

In order to satisfy the conversion right, the Company has an option to settle in full or in part an amount of cash in HK\$ equal to (1) number of ordinary shares otherwise deliverable upon exercise of the conversion right multiply (ii) the arithmetic average of the daily volume-weighted average price of ordinary shares of the Company appearing on or derived from Bloomberg "VWAP" page on each day for the 20 trading days immediately after cash settlement notice.

(iv) *Redemption*

Under the conditions of (a) the Stock Exchange requires the conversion right to be cancelled for the purpose of the [●] of the Company; (b) the Stock Exchange requires the conversion right cannot be exercised before six months following the Date or the share issuable upon conversion of the Convertible Bonds are subject to a lock-up period expiring later than six months following the Date; or (c) the Stock Exchange requires other material alteration to the terms of Convertible Bonds, as determined by the holders of majority Convertible Bonds, the holders of the Convertible Bonds may require the Company to redeem all Convertible Bonds at a price that represents an internal rate of return of 21.1% per annum inclusive of coupons paid.

If [●] based on the Conversion Price is less than certain amount, the holders of the Convertible Bonds have the right to request redemption of the Convertible Bonds on the Date at a price that represents an internal rate of return of 21.1% inclusive of coupon interests paid.

If the Company complete a qualified [●] on or before September 30, 2008 then on the first anniversary of the Date, each holder of the Convertible Bonds has the right to require the Company to redeem the Convertible Bonds in whole or in part, at the HK\$ equivalent of its RMB amount multiplied by 105%, together with any accrued and unpaid interest.

If no qualifying [●] occurs with a Date falling on or before September 30, 2008, the holders of Convertible Bonds could redeem the Convertible Bonds on September 30, 2008 at their H.K. dollar equivalent of their RMB principal amount, together with any accrued and unpaid interest, plus an amount of premium, which together equal to 103.9% of the RMB principal amount, compounded semi-annually.

APPENDIX I

ACCOUNTANTS' REPORT

At any time after the expiry of 12 calendar months from the Date but not less than seven business days prior to the third anniversary of the Date, the Company may, having given not less than 30 nor more than 60 days' prior written notice to the holders, redeem the Convertible Bonds in full at the early redemption amount calculated on the basis of an internal rate of return of 21.1% per annum under the condition that the closing price of the shares on the Stock Exchange for each of the 30 consecutive trading days with the last trading day falling on the fifth trading day immediately prior to the early redemption notice date is greater than 140% of such early redemption amount divided by the then conversion ratio of the Convertible Bonds.

The principal terms of the Secured Notes are as follows:

(i) *Interest rate*

The interest rate of the Secured Notes is 15% per annum from the issue date to June 29, 2008 and 18.5% from June 30, 2008 to their maturity date.

(ii) *Maturity*

The Secured Notes will mature on the earlier of (a) the Date, and (b) September 30, 2008 if no [●] has occurred.

(iii) *Redemption*

The Secured Notes will be redeemable at the earlier of (a) the Date at the principal amount or, (b) September 30, 2008 if no [●] has occurred at a price that represents an internal rate of return of 21.1% per annum, inclusive of all interests paid.

If a term alteration event occurs pursuant to the terms and conditions of the Convertible Bonds as described in the first paragraph of note 18(a)(iv), each holder of the Secured Notes will also have the right to require us to redeem in full or in part its Secured Notes on the Date or September 30, 2008 at an internal rate of return of 21.1% per annum.

If market capitalization or aggregate public float of the [●] based on the Conversion Price is less than certain amount, then holders of Secured Notes have the right to request redemption of the Secured Notes on either the Date or September 30, 2008 at a price that represents a rate of return of 21.1% per annum, inclusive of all interests paid.

If no qualifying [●] occurs with a Date falling on or before September 30, 2008, the holders of Secured Notes could redeem the Secured Notes on September 30, 2008 at their H.K. dollar equivalent of their RMB principal amount, together with any accrued and unpaid interest, plus an amount of premium, which together equal to 112.0% of the RMB principal amount, compounded semi-annually.

The Convertible Bonds and Secured Notes have been subscribed simultaneously. The total net proceeds from issuance of Convertible Bonds and Secured Notes of HK\$995,588,000 (equivalent to RMB939,138,000) and HK\$77,872,000 (equivalent to RMB73,456,000), were received on December 24, 2007 and January 4, 2008, respectively. The Convertible Bonds and Secured Notes were recognized as a number of embedded financial derivatives and a debt as follows:

Embedded financial derivatives, comprise the fair value of the option of the holders of the Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company at the Conversion Price; the fair value of the option of the holders of the Convertible Bonds and Secured Notes to require the Company to redeem the Convertible Bonds and Secured Notes; and the fair value of the option of the Company to redeem the Convertible Bonds.

- These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognized.

APPENDIX I

ACCOUNTANTS’ REPORT

- Debt component initially recognized at its fair value, which is the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortized cost. The interest of debt component is calculated by applying an effective interest rate of approximately 21.1% per annum.

A valuation on the Convertible Bonds and Secured Notes was carried out by BMI Appraisals Limited, an independent qualified valuer on December 31, 2007 and June 30, 2008. The binomial model is used in the valuation of the embedded financial derivatives. Key assumption and variables used in the model are as follows:

		<u>December 31,</u>	<u>June 30,</u>
	<u>Note</u>	<u>2007</u>	<u>2008</u>
Conversion price		[•]	[•]
Risk-free rate of interest	(a)	4.08%	3.84%
Dividend yield	(b)	1.00%	1.00%
Time to expiration		3 years	3 years
Volatility	(c)	49.44%	56.56%

Notes:

- (a) The risk-free rate of interest adopted approximated the interest rate of Chinese government bonds with maturity of three years.
- (b) In accordance with the terms and conditions of the relevant agreement, the Conversion Price of the Convertible Bonds would be adjusted for any future share dividend and asset distribution. As a result, a 1.00% dividend yield was used, which based on the dividends yield of the Company and the peer companies, in determining the fair value of the embedded financial derivatives.
- (c) The volatility adopted for a private company was based on the average of the upper range between the industry volatility and the peer companies’ volatilities.

The value of embedded financial derivatives varies with different variables of certain subjective assumptions, which have been made by the directors of the Company based on their best estimates.

APPENDIX I

ACCOUNTANTS' REPORT

The movement of the debt component and embedded financial derivative of the Convertible Bonds and Secured Notes is set out below:

	The Group and the Company		
	Debt component	Embedded financial derivatives	Total
	RMB'000	RMB'000	RMB'000
Convertible Bonds and Secured Notes issued on December 24, 2007	783,056	156,082	939,138
Interest charged	3,401	—	3,401
Reclassified to interest payables	(2,033)	—	(2,033)
As at December 31, 2007	784,424	156,082	940,506
Convertible Bonds and Secured Notes issued on January 4, 2008	61,372	12,084	73,456
Fair value losses on embedded financial derivatives	—	14,834	14,834
Interest charged	211,724	—	211,724
Reclassified to interest payables	(97,276)	—	(97,276)
Partial redemption	(269,901)	—	(269,901)
Restructure of Convertible Bonds and Secured Notes (note (b))	(690,343)	(183,000)	(873,343)
As at December 31, 2008 and June 30, 2009	—	—	—
(Unaudited)			
As at January 1, 2008	784,424	156,082	940,506
Convertible Bonds and Secured Notes issued on January 4, 2008	61,372	12,084	73,456
Fair value losses on embedded financial derivatives	—	14,834	14,834
Interest charged	84,953	—	84,953
Reclassified to interest payables	(56,046)	—	(56,046)
As at June 30, 2008	874,703	183,000	1,057,703

(b) Restructure of Convertible Bonds and Secured Notes by Secured Bonds and Secured Notes

In September 2008, the holders of the Convertible Bonds and Secured Notes, the Company and the Controlling Shareholders of the Company have reached an agreement to amend the terms and conditions of Convertible Bonds and Secured Notes, the key changes are summarised below:

- the rights embedded in the Convertible Bonds to convert the bonds into ordinary shares of the Company was cancelled;
- the Convertible Bonds in the aggregate principal amount of RMB127,741,000 should be redeemed on September 30, 2008;
- the Secured Notes in the aggregate principal amount of RMB142,160,000 should be redeemed on September 30, 2008;
- the outstanding principal of the Convertible Bonds of RMB330,929,000 and the Secured Notes of RMB496,392,000 together with the accrued interests should be repaid by installments on a monthly basis over the period up to June 30, 2009.

In July 2009, the Company and the holders of the Secured Bonds and Secured Notes have agreed to extend the maturity date of the Secured Bonds and Secured Notes to December 31, 2009.

APPENDIX I

ACCOUNTANTS' REPORT

The movement of the Secured Bonds and Secured Notes is set out below:

	Secured Bonds and Secured Notes
	RMB'000
As at January 1, 2008	—
Transfer from Convertible Bonds and Secured Notes and Embedded financial derivatives . .	873,343
Interest charged	52,350
Repayment of principal	(35,091)
Reclassified to interest payables	<u>(56,790)</u>
As at December 31, 2008	833,812
Interest charged	62,080
Repayment of principal	(457,614)
Reclassified to interest payables	<u>(23,308)</u>
As at June 30, 2009	<u><u>414,970</u></u>

The effective interest rate of Secured Bonds and Secured Notes for the year ended December 31, 2008 and the six months ended June 30, 2009 is 27.6%.

In July 2009, the Company and the Controlling Shareholders of the Company entered into a written agreement with the holders of the Secured Bonds and Secured Notes to revise the terms of Secured Bonds and Secured Notes as below:

- (1) the annual rate of interest applicable to the Secured Bonds and Secured Notes is 25% per annum,
- (2) all interest payments are calculated in Renminbi and are to be settled in equivalent Hong Kong dollars at a fixed exchange rate of Rmb0.8772 to HK\$1.00; and
- (3) the outstanding principal of the Secured Bonds and Secured Notes together with the accrued interests should be repaid by installments on a monthly basis up to December 31, 2009.

19. DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against Income tax payables and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 are as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
— to be realized after more than 12 months .	8,904	271	5,602	13,862
— to be realized within 12 months	<u>14,232</u>	<u>40,231</u>	<u>32,806</u>	<u>29,907</u>
	<u><u>23,136</u></u>	<u><u>40,502</u></u>	<u><u>38,408</u></u>	<u><u>43,769</u></u>
Deferred income tax liabilities to be settled after more than 12 months	<u><u>39,970</u></u>	<u><u>163,539</u></u>	<u><u>367,692</u></u>	<u><u>366,706</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

The movement on the deferred taxation is as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Beginning of the year/period	11,300	(16,834)	(123,037)	(123,037)	(329,284)
Recognized in the consolidated statement of comprehensive income (note 27)	(28,134)	(106,203)	(206,247)	(8,665)	6,347
End of the year/period	(16,834)	(123,037)	(329,284)	(131,702)	(322,937)

Movement in deferred tax assets and liabilities during the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 is as follows:

Deferred income tax assets

	Temporary difference on unrealized profit of inter-company transactions	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	11,300	11,300
Credited to the consolidated statement of comprehensive income	4,566	7,270	11,836
At December 31, 2006	4,566	18,570	23,136
(Charged)/credited to the consolidated statement of comprehensive income	(2,731)	20,097	17,366
At December 31, 2007	1,835	38,667	40,502
Credited/(charged) to the consolidated statement of comprehensive income	7,217	(9,311)	(2,094)
At December 31, 2008	9,052	29,356	38,408
Credited to the consolidated statement of comprehensive income	2,338	3,023	5,361
At June 30, 2009	11,390	32,379	43,769
(Unaudited)			
At January 1, 2008	1,835	38,667	40,502
Credited/(charged) to the consolidated statement of comprehensive income	3,804	(9,469)	(5,665)
At June 30, 2008	5,639	29,198	34,837

Deferred income tax assets are recognized for tax losses to the extent that the realization of the related benefit through the future taxable profits is probable. Accumulated losses amounting to RMB135,000, RMB8,584,000, RMB16,545,000 and RMB104,252,000 as at June 30, 2009 will expire in 2011, 2012, 2013 and 2014, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

Deferred income tax liabilities

	Temporary difference on revaluation gains of investment properties RMB'000
At January 1, 2006	—
Charged to the consolidated statement of comprehensive income	39,970
At December 31, 2006	39,970
Charged to the consolidated statement of comprehensive income	123,569
At December 31, 2007	163,539
Charged to the consolidated statement of comprehensive income	204,153
At December 31, 2008	367,692
Credited to the consolidated statement of comprehensive income	(986)
At June 30, 2009	366,706
(Unaudited)	
At January 1, 2008	163,539
Charged to the consolidated statement of comprehensive income	3,000
At June 30, 2008	166,539

20. TRADE AND OTHER PAYABLES

	Group				Company		
	December 31,		June 30,		December 31,		June 30,
	2006	2007	2008	2009	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables							
— third parties	211,409	521,292	492,936	512,011	—	—	—
Notes payables	—	—	—	40,478	—	—	—
Other payables and accruals:	473,344	47,494	787,350	1,518,812	2,033	55,034	23,308
— Related parties (note 34(d)).	456,480	—	633,179	1,397,988	—	—	—
— Third parties	16,864	47,494	154,171	120,824	2,033	55,034	23,308
Payables for retention fee	48,710	74,045	99,401	108,618	—	—	—
Payables for acquisition of land use rights	591,757	234,981	143,434	143,434	—	—	—
Other taxes payable	2,569	14,057	19,496	21,058	—	—	—
	<u>1,327,789</u>	<u>891,869</u>	<u>1,542,617</u>	<u>2,344,411</u>	<u>2,033</u>	<u>55,034</u>	<u>23,308</u>

APPENDIX I

ACCOUNTANTS' REPORT

The ageing analysis of trade payables of the Group at December 31, 2006, 2007 and 2008 and June 30, 2009 is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	114,879	238,827	34,779	86,876
Over 90 days and within 180 days	2,453	80,931	72,247	2,056
Over 180 days and within 365 days	38,492	93,703	117,412	50,355
Over 365 days and within 3 years	55,585	107,831	268,498	372,724
	<u>211,409</u>	<u>521,292</u>	<u>492,936</u>	<u>512,011</u>

21. INCOME TAX PAYABLES — GROUP

The income tax payables are analyzed as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Income tax payables				
— PRC corporate income tax payable	4,327	77,988	147,877	211,765
— PRC land appreciation tax payable	60,634	248,469	223,707	328,784
	<u>64,961</u>	<u>326,457</u>	<u>371,584</u>	<u>540,549</u>

22. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Business taxes and other levies					
(note (a))	24,917	60,009	82,347	35,623	66,383
Staff costs (note 24)	14,551	22,552	112,679	44,481	47,300
Advertising costs	17,227	20,909	39,243	11,904	10,178
Depreciation	1,907	4,159	6,389	2,859	3,764
Amortization of land use rights	7,576	4,823	5,735	2,075	7,896
Cost of properties sold	171,511	352,889	786,710	372,785	543,233
Auditors' remuneration	335	482	493	240	210
Donations to governmental					
charity	<u>19,691</u>	<u>12,771</u>	<u>5,658</u>	<u>1,859</u>	<u>3,348</u>

APPENDIX I

ACCOUNTANTS' REPORT

(a) Business taxes

The Group companies established in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Property management	5%

23. OTHER GAINS AND LOSSES — NET

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Foreign exchange (losses)/ gains (note (a))	—	(6,870)	(11,005)	(9,372)	3,599
Excess of net assets acquired from minority interests over consideration paid (note (b))	—	1,945	—	—	—
Losses from partial disposal of a subsidiary (note (c))	—	(735)	—	—	—
Losses from disposal of investment properties — net (note (d))	—	—	(26,781)	—	(3,127)
	<u>—</u>	<u>(5,660)</u>	<u>(37,786)</u>	<u>(9,372)</u>	<u>472</u>

- (a) The foreign exchange losses or gains for the year ended December 31, 2007 and 2008 and the six months ended June 30, 2008 and 2009 were mainly related to the cash denominated in HK\$.
- (b) During the year ended December 31, 2007, the Group acquired 9.5% equity interest in Quanzhou Baohua Property Development Company Limited at a consideration of RMB3,610,000, 22% equity interest in Xiamen Jinjiang Business Planning Company Limited at a consideration of RMB22,000, 1% equity interest in Xiamen Bairun Property Consulting Company Limited at a consideration of RMB10,000, 6.95% equity interest in Fuzhou Powerlong Business Management Company Limited at a consideration of RMB69,500 from their respective minority equity holders. The considerations were determined based on the proportion of paid-in capital of these subsidiaries contributed by the minority equity holders and the excess of net assets acquired over the considerations paid totaling RMB1,945,000 were recognized in other gains of the consolidated statement of comprehensive income. In August and December 2007, the Group also acquired 10% equity interest in Wuxi Powerlong Property Development Company Limited and 29% equity interest in Xiamen Hualong Commercial Property Management Company Limited, from their respective minority equity holders at considerations of RMB11,215,000 and RMB290,000, respectively. The considerations are determined based on the net assets acquired from the minority interests and therefore no gain was resulted from these transactions.
- (c) On June 18, 2007, the Group disposed of a 29% equity interest in Xiamen Jinjiang Business Planning Company Limited to an independent third party at a consideration of RMB29,000. The consideration was based on the paid-in capital contributed by the Group. The loss of RMB735,000 represented the net assets disposed of over the consideration.

APPENDIX I

ACCOUNTANTS' REPORT

- (d) During the year ended December 31, 2008 and six months ended June 30, 2009, the Group disposed of certain investment properties in Fuzhou Powerlong Property Development Company Limited at considerations of RMB57,525,000 and RMB7,910,000, which resulted in a loss of RMB26,781,000 and RMB3,127,000, respectively.

24. STAFF COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	12,717	18,788	96,972	38,411	40,845
Pension costs — statutory pension (note 31)	455	1,321	8,896	3,530	4,422
Other staff welfare and benefits	1,379	2,443	6,811	2,540	2,033
	<u>14,551</u>	<u>22,552</u>	<u>112,679</u>	<u>44,481</u>	<u>47,300</u>

25. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The directors' emoluments borne by the then equity holders of the Group during the years ended December 31, 2006 and 2007 amounted to RMB437,000, RMB649,000, respectively.

The directors' emoluments borne by the Group during the years ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2008 and 2009 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	—	90	2,664	1,332	1,092
Retirement scheme contributions	—	10	28	4	14
Fee	—	—	—	—	—
	<u>—</u>	<u>100</u>	<u>2,692</u>	<u>1,336</u>	<u>1,106</u>

The remuneration of each director of the Company for the year ended December 31, 2007 is set out below:

	Salary	Retirement scheme contributions	Fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hoi	18	2	—	20
Mr. Hoi Wa Fong	18	2	—	20
Ms. Shih Sze Ni	18	2	—	20
Mr. Guo Jun	18	2	—	20
Mr. Xiao Qing Ping	18	2	—	20
	<u>90</u>	<u>10</u>	<u>—</u>	<u>100</u>

APPENDIX I

ACCOUNTANTS' REPORT

The remuneration of each director of the Company for the year ended December 31, 2008 is set out below:

	<u>Salary</u>	<u>Retirement scheme contributions</u>	<u>Fee</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Hoi	720	—	—	720
Mr. Hoi Wa Fong	480	—	—	480
Ms. Shih Sze Ni	264	—	—	264
Mr. Guo Jun	720	24	—	744
Mr. Xiao Qing Ping	480	4	—	484
	<u>2,664</u>	<u>28</u>	<u>—</u>	<u>2,692</u>

The remuneration of each director of the Company for the six months ended June 30, 2009 is set out below:

	<u>Salary</u>	<u>Retirement scheme contributions</u>	<u>Fee</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Hoi	360	—	—	360
Mr. Hoi Wa Fong	240	—	—	240
Ms. Shih Sze Ni	132	—	—	132
Ms. Liu Xiao Lan	120	12	—	132
Mr. Xiao Qing Ping	240	2	—	242
	<u>1,092</u>	<u>14</u>	<u>—</u>	<u>1,106</u>

The remuneration of each director of the Company for the six months ended June 30, 2008 is set out below:

	<u>Salary</u>	<u>Retirement scheme contributions</u>	<u>Fee</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Mr. Hoi	360	—	—	[360]
Mr. Hoi Wa Fong	240	—	—	[240]
Ms. Shih Sze Ni	132	—	—	[132]
Mr. Guo Jun	360	2	—	362
Mr. Xiao Qing Ping	240	2	—	242
	<u>1,332</u>	<u>4</u>	<u>—</u>	<u>[1,336]</u>

APPENDIX I

ACCOUNTANTS' REPORT

(b) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from directors of the Company and entities ultimately controlled by the director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of director:	Maximum amount outstanding								
	December 31,			June 30,	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2009	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. Hoi	24,594	—	—	—	24,594	24,594	—	—	—
Related entities ultimately controlled by Mr. Hoi (note 34(d)). .	799,068	62,371	536,924	926,657	799,068	799,068	536,924	68,185	926,657
	<u>823,662</u>	<u>62,371</u>	<u>536,924</u>	<u>926,657</u>	<u>823,662</u>	<u>823,662</u>	<u>536,924</u>	<u>68,185</u>	<u>926,657</u>

(c) Five highest paid individuals

During the six months ended June 30, 2009, four of the five highest paid individuals of the Company are also the directors of the Company. The aggregate amounts of emoluments of the five highest paid individuals for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are set out below:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits					
— Directors	—	—	2,664	1,332	972
— Others.	587	728	—	—	360
	<u>587</u>	<u>728</u>	<u>2,664</u>	<u>1,332</u>	<u>1,332</u>
Retirement scheme contributions					
— Directors	—	—	28	4	2
— Others.	12	25	—	—	—
	<u>12</u>	<u>25</u>	<u>28</u>	<u>4</u>	<u>2</u>
	<u>599</u>	<u>753</u>	<u>2,692</u>	<u>1,336</u>	<u>1,334</u>

(d) During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

APPENDIX I

ACCOUNTANTS’ REPORT

26. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses:					
— Bank borrowings wholly repayable within five years	9,347	22,571	68,827	32,495	35,892
— Debt component of the Convertible Bonds and Secured Notes (note 18(a))	—	3,401	211,724	84,953	—
— Secured Bonds and Secured Notes (note 18(b))	—	—	52,350	—	62,080
	9,347	25,972	332,901	117,448	97,972
Less: interest capitalized. . . .	(9,347)	(22,571)	(299,246)	(86,128)	(95,256)
	—	3,401	33,655	31,320	2,716

27. INCOME TAX

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
— PRC corporate income tax	28,009	115,741	135,121	40,039	116,619
— PRC land appreciation tax	73,598	199,438	3,945	30,684	144,147
Deferred income tax					
— PRC corporate income tax	28,134	106,203	206,247	8,665	(6,347)
	129,741	421,382	345,313	79,388	254,419

APPENDIX I

ACCOUNTANTS' REPORT

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating profit before income tax	252,782	1,028,123	1,282,629	133,835	582,987
Calculated at applicable PRC corporate income tax rate . .	80,430	297,414	327,975	43,409	146,309
Effect of expenses not deductible for income tax (note (a))	—	—	14,379	12,966	—
PRC land appreciation tax deductible for PRC corporate income tax purposes.	(24,287)	(65,815)	(986)	(7,671)	(36,037)
Effect of tax rate change.	—	(9,655)	—	—	—
	56,143	221,944	341,368	48,704	110,272
PRC land appreciation tax . . .	73,598	199,438	3,945	30,684	144,147
	129,741	421,382	345,313	79,388	254,419

- (a) The amounts were mainly resulted from the fair value loss of embedded financial derivatives and finance costs recorded at the Company, which were not deductible of income tax.

The weighted average applicable PRC corporate income tax rate for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 are 32%, 29%, 26%, 32% and 25%. The fluctuation is caused by a change in the profitability of the Group's subsidiaries in the respective tax jurisdictions and the applicable income tax rate for the fair value gains on investment properties during the year ended December 31, 2007 was reduced from 33% to 25% according to the new PRC corporate income tax law.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiary established in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Financial Information as the Company and the Group did not have assessable profit in Hong Kong for the Relevant Periods. The profit of the Company is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

APPENDIX I

ACCOUNTANTS’ REPORT

For each of the years ended December 31, 2006 and 2007, PRC corporate income tax is provided at the rate of 33% of the profits for the PRC statutory financial reporting purposes, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose. Certain of the Group’s subsidiaries established and located in Xiamen Special Economic Zone, are entitled to a preferential tax rate of 15%.

On March 16, 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “new CIT Law”), which is effective from January 1, 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group’s subsidiaries located in Mainland China from January 1, 2008 is 25%, replacing the applicable tax rate of 33%. Under the new CIT Law, the corporate income tax rate applicable to certain of the Group companies established and operated in Xiamen Special Economic Zone is gradually increased from 15% to 25% in a transitional period of five years starting from January 1, 2008.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Group’s subsidiaries operated in the PRC. In these Financial Information, deferred tax assets and liabilities in certain subsidiaries to be realized after January 1, 2008 has been adjusted to the amounts calculated based on corporate income rate of 25% with a credit of RMB9,655,000 to income tax expenses for the year ended December 31, 2007.

PRC land appreciation tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Certain Group companies in Henan Province, Anhui Province and Jiangsu Province were subject to LAT which is calculated based on 0.5% to 3.5% of its sales of properties in accordance with the authorized taxation method.

28. EARNINGS PER SHARE

Earnings per share information for each of the years ended December 31, 2006, 2007 is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of preparation of the Financial Information as disclosed in note 1 above.

On December 14, 2007, the Company issued 3,000,000,000 ordinary shares at par value of HK\$0.01 each (note 15(d)). The calculation of earnings per share for the year ended December 31, 2008 and the six months ended June 30, 2008 and 2009 is based on the profit attributable to equity holders of the Company of RMB932,658,000, RMB55,680,000 and RMB330,068,000, respectively, and the 3,000,000,000 shares in issue.

No diluted earnings per share are presented as there were no potential dilutive shares in issue during the year ended December 31, 2008 and the six months ended June 30, 2009.

29. DIVIDEND

The following dividend were declared by the Company during the Relevant Periods:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Dividend	—	32,900	—	—	—

APPENDIX I

ACCOUNTANTS' REPORT

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

30. CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	252,782	1,028,123	1,282,629	133,835	582,987
Adjustments for:					
Depreciation (note 6)	1,907	4,159	6,389	2,859	3,764
Amortization of land use rights recognized as expenses	7,576	4,823	5,735	2,075	7,896
Excess of net assets acquired from minority interests over consideration paid (note 23(b))	—	(1,945)	—	—	—
Losses from partial disposal of a subsidiary (note 23(c))	—	735	—	—	—
Losses from disposal of investment properties (note 23(d))	—	—	26,781	—	3,127
Fair value gains on investment properties (note 8)	(121,121)	(533,035)	(856,040)	(12,000)	(2,400)
Fair value losses on embedded financial derivatives (note 18(a))	—	—	14,834	14,834	—
Finance costs (note 26)	—	3,401	33,655	31,320	2,716
Foreign exchange losses/(gains) arising from operating activities (note 23(a))	—	6,870	11,005	9,372	(3,599)
Changes in operating capital:					
— Properties under construction and completed properties held for sale . . .	(185,973)	(476,234)	(640,300)	(446,264)	(26,365)
— Land use rights (note 7) . . .	34,948	66,388	160,442	54,973	131,777
— Restricted cash	(3,699)	(14,817)	(7,218)	(4,450)	(23,773)
— Trade and other receivables and prepayments	(36,592)	(98,455)	1,563	(47,477)	(55,723)
— Trade and other payables . .	99,028	196,373	200,876	25,735	66,757
— Advances from customers . .	508,410	986,544	195,320	286,946	(223,315)
Cash generated from operations . .	<u>557,266</u>	<u>1,172,930</u>	<u>435,671</u>	<u>51,758</u>	<u>463,849</u>

Major non-cash transactions mainly include the followings:

- (a) During the year ended December 31, 2007, land premium of approximately RMB146,259,000 was paid by Xiamen Powerlong Group, a related party of the Group, on behalf of the Group.
- (b) Amounts due from/to related parties totaling RMB25,595,000 were off-set at December 31, 2007.

APPENDIX I

ACCOUNTANTS' REPORT

31. PENSIONS — DEFINED CONTRIBUTION PLANS

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive income of the Group for the Relevant Periods, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gross scheme contributions . .	455	1,321	8,896	3,530	4,422

32. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analyzed as below:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	280,297	912,359	1,029,327	1,229,794

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

33. COMMITMENTS FOR PROPERTY DEVELOPMENT EXPENDITURE

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
— Property development activities	1,621,750	926,011	1,544,969	1,099,616
— Acquisition of land use rights	—	514,442	910,590	904,420
	1,621,750	1,440,453	2,455,559	2,004,036

APPENDIX I

ACCOUNTANTS’ REPORT

34. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
The Controlling Shareholders, including Mr. Hoi, Ms. Wang Lai Jan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan.	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi and Mr. Hoi Wa Fong are also directors of the Company
Xiamen Powerlong Group 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Real Estate Development Company Limited 廈門寶龍房地產發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong JuSheng Information System Integrated Company Limited 廈門寶龍聚生信息系統集成有限公司	Ultimately controlled by Mr. Hoi
Jinjiang Powerlong Hotel Company Limited 晉江寶龍大酒店有限公司	Ultimately controlled by Mr. Hoi
Xiamen Shiquanshimei Food & Beverage Management Company Limited 廈門寶龍餐飲管理有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Amusement Management Company Limited 廈門寶龍樂園管理有限公司	Ultimately controlled by Mr. Hoi
Macau Entertainment Company Limited 澳門娛樂有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Hotel Company Limited 廈門寶龍大酒店有限公司	Ultimately controlled by Mr. Hoi
Xiamen Aojinlong Office Equipment Company Limited 廈門市澳金龍辦公設備有限公司	Ultimately controlled by Mr. Hoi
Lujing Entertainment Company Limited 鷺京娛樂城有限公司	Ultimately controlled by Mr. Hoi
Powerlong Happy World Company Limited 寶龍歡樂世界有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Cannes Department Store Company Limited 福州康城百貨有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Powerlong Food & Beverage Company Limited 鄭州食全食美餐飲管理有限公司	Ultimately controlled by Mr. Hoi

APPENDIX I

ACCOUNTANTS' REPORT

(b) Transactions with related parties

During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, the Group had the following significant transactions with related parties:

(i) Related party transactions that will continue after the [●] of the Company:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income (note (1)):					
— Fuzhou Cannes Department Store Company Limited	—	11,075	9,541	8,398	—
— Xiamen Powerlong Food & Beverage Management Company Limited	—	1,478	1,590	814	—
— Xiamen Powerlong Amusement Management Company Limited	—	2,525	4,146	1,915	1,238
— Zhengzhou Powerlong Food & Beverage Company Limited	—	—	1,626	—	909
	<u>—</u>	<u>15,078</u>	<u>16,903</u>	<u>11,127</u>	<u>2,147</u>
Purchase of property and equipment (note (1))					
— Xiamen Powerlong Information Industry Co., Ltd.	824	728	135	135	27
— Fujian Ping An Security Devices and Network Limited	—	—	23,083	14,854	4,466
	<u>824</u>	<u>728</u>	<u>23,218</u>	<u>14,989</u>	<u>4,493</u>
Property management fee income (note(1))					
— Mr. Hoi Wa Fong	31	31	31	16	2
— Xiamen Powerlong Group	159	130	93	46	41
— Xiamen Powerlong Amusement Management Company Limited	—	144	495	248	248
Zhengzhou Powerlong Food & Beverage Company Limited	—	74	295	148	148
	<u>190</u>	<u>379</u>	<u>914</u>	<u>458</u>	<u>439</u>
Hotel accommodation service fee charged to the Group (note (1))					
— Macau Powerlong Group	<u>1,250</u>	<u>1,580</u>	<u>2,840</u>	<u>1,725</u>	<u>406</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Office lease expense (note (1))					
— Xiamen Powerlong Information Industry Co., Ltd.	—	—	1,485	743	743

(ii) Related party transactions that will not be continued after the [●] of the Company:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Construction fee and related service fee charged to the Group (note (1))					
— Xiamen Powerlong JuSheng Information System Integrated Company Limited.	634	—	—	—	—
— Xiamen Powerlong Information Industry Co., Ltd.	5,484	1,576	—	—	—
	<u>6,118</u>	<u>1,576</u>	<u>—</u>	<u>—</u>	<u>—</u>
Sales of properties (note (1))					
— Mr. Hoi Wa Fong	7,722	3,729	—	—	—
— Ms. Wang Lai Jan	—	493	—	—	—
	<u>7,722</u>	<u>4,222</u>	<u>—</u>	<u>—</u>	<u>—</u>
Property management fee income (note (1))					
— Fuzhou Cannes Department Store Company Limited	—	4,092	4,710	2,309	—
— Xiamen Powerlong Food & Beverage Management Company Limited	—	312	470	235	—
	<u>—</u>	<u>4,404</u>	<u>5,180</u>	<u>2,544</u>	<u>—</u>
Consultancy expenses charged to the Group (note (1))					
— Xiamen Powerlong Group	15,800	25,800	—	—	—

(1) The transactions were charged in accordance with the terms of the underlying agreements.

(2) Related parties have provided corporate guarantees for the Group’s bank borrowings of RMB49,000,000, RMB670,285,000, RMB795,977,000 and RMB609,832,000 at December 31, 2006 and 2007 and 2008 and June 30, 2009, respectively (note 17).

APPENDIX I

ACCOUNTANTS’ REPORT

- (3) As at December 31, 2008 and June 30, 2009, the Group have pledged certain parts of its land use rights (note 7) and investment properties (note 8) as guarantees for the borrowings of the related parties of RMB90,000,000 and RMB405,000,000, respectively. All such pledge have been released by [●] 2009.
- (4) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

Key management compensation for the years ended December 31, 2006 and 2007 was borne by Xiamen Powerlong Group.

Key management compensation for the year ended December 31, 2008 and the six months ended June 30, 2009 is set out below.

	Year ended December 31, 2008	Six months ended June 30, 2009
	RMB'000	RMB'000
Key management compensation		
— Salaries and other employee benefits	2,664	1,332
— Pension costs	<u>28</u>	<u>2</u>
	<u>2,692</u>	<u>1,334</u>

APPENDIX I

ACCOUNTANTS' REPORT

(d) Balances with related parties

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the Group had the following material non-trade balances with related parties:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties including in other receivables (note (i))				
— Mr. Hoi	24,594	—	—	—
— Related entities ultimately controlled by Mr. Hoi (note 25(b))	799,068	62,371	236,924	326,657
— Xiamen Powerlong Group	729,581	62,371	210,180	320,744
— Xiamen Powerlong Real Estate Development Company Limited	2,617	—	—	—
— Jinjiang Powerlong Hotel Company Limited	66,031	—	—	—
— Fuzhou Cannes Department Store Company Limited	—	—	20,616	—
— Fuzhou Powerlong Amusement Management Company Limited	—	—	3,996	4,107
— Zhengzhou Powerlong Food & Beverage Company Limited	—	—	2,032	388
— Other related entities ultimately controlled by Mr. Hoi	839	—	100	1,418
	<u>823,662</u>	<u>62,371</u>	<u>236,924</u>	<u>326,657</u>
Prepayments for acquisition of properties (note (ii))				
— Xiamen Powerlong Group	—	—	300,000	600,000
	<u>—</u>	<u>—</u>	<u>300,000</u>	<u>600,000</u>
	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties included in other payables (note (i)):				
— Mr. Hoi	—	—	633,115	1,397,796
— Xiamen Powerlong Group	423,064	—	—	—
— Xiamen Powerlong Hotel Company Limited	31,267	—	—	—
— Jinjiang Powerlong Hotel Company Limited	561	—	—	—
— Macau Entertainment Company Limited	1,349	—	—	—
— Other related entities ultimately controlled by Mr. Hoi	239	—	64	192
	<u>456,480</u>	<u>—</u>	<u>633,179</u>	<u>1,397,988</u>

(i) Amounts due from/to related parties are unsecured, interest-free and receivable/repayable on demand, which are cash advances in nature.

(ii) On December 5, 2008, a subsidiary of the Company entered into an agreement with Xiamen Powerlong Group to acquire certain properties from Xiamen Powerlong Group at a consideration of RMB600,000,000. The Group has prepaid the consideration of RMB300,000,000 and RMB300,000,000 during the year ended December 31, 2008 and the six months ended June 30, 2009, respectively, for the acquisition.

APPENDIX I

ACCOUNTANTS' REPORT

III. SUBSEQUENT EVENTS

- (a) The Secured Bonds and Secured Notes amounting to RMB414,970,000 as at June 30, 2009 have been subsequently settled.
- (b) Pursuant to the written resolutions of the shareholders of the Company passed on September 16, 2009, the Company has issued and allotted 150,000,000 shares to Skylong Holdings Limited, by way of capitalization of the amount due to Mr. Hoi of RMB1,000 million. Skylong Holdings Limited owned 60% of the shares of the Company prior to the allotment, and is wholly owned by Mr. Hoi.
- (c) [●]

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to June 30, 2009. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to June 30, 2009.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this document received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as at 30 June 2009 of the property interests of the Group.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA LICENCE: C-023750
savills.com

[●], 2009

The Directors
Powerlong Real Estate Holdings Limited
3rd Floor
Powerlong Center
305 Jiahe Road
Xiamen
Fujian Province
China

Dear Sirs,

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the “PRC”) in which Powerlong Real Estate Holdings Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at 30 June 2009 (the “Date of Valuation”) for the purpose of incorporation in [●].

Our valuation of each of the property interests is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management

APPENDIX IV

PROPERTY VALUATION

agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation of the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. In valuing the properties, unless otherwise stated, we have assumed that the Group has enforceable titles to the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In valuing the property interest in Group I, which is held by the Group for investment in the PRC, we have valued it by the investment method by capitalizing the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property.

In respect of the property interests in Groups II and III, which are held by the Group under development and for future development respectively in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for these proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to the comparable sales transactions as available in the relevant market and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

In valuing the property interests in Group IV, which are leased by the Group in the PRC, we have attributed no commercial values to these property interests due either to the short-term nature of the leases or the prohibition against assignments or sub-lettings or otherwise due to the lack of substantial profit rent.

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its PRC's legal advisor on PRC laws, Jingtian & Gongcheng, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, estimated construction costs, estimated completion dates, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

APPENDIX IV

PROPERTY VALUATION

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts are stated in Renminbi.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

Note: Charles C K Chan, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer and has about 25 years' experience in the valuation of properties in Hong Kong and has about 20 years' experience in the valuation of properties in the PRC.

APPENDIX IV

PROPERTY VALUATION

SUMMARY OF VALUES

Group I — Property interest held by the Group for investment in the PRC

No.	Property	Market value in existing state as at 30 June 2009	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 June 2009
1.	Fuzhou Powerlong City Plaza, Taijiang Region, Fuzhou, Fujian Province, PRC	979,000,000	100%	979,000,000
Sub-total:		979,000,000		979,000,000

Group II — Property interests held by the Group under development in the PRC

2.	Portion of Phase I of Suzhou Taicang Powerlong City Plaza, Taicang, Suzhou, Jiangsu Province, PRC	324,000,000	100%	324,000,000
3.	Wuxi Powerlong City Plaza, Wuxi New District, Wuxi, Jiangsu Province, PRC	1,240,000,000	80%	992,000,000
4.	Tai'an Powerlong City Plaza, Tai'an, Shandong Province, PRC	1,018,000,000	100%	1,018,000,000
5.	Portion of Phase I of Luoyang Powerlong City Plaza, Luoyang, Henan Province, PRC	1,292,000,000	100%	1,292,000,000

APPENDIX IV

PROPERTY VALUATION

No.	Property	Market value in existing state as at 30 June 2009	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 June 2009
6.	Bengbu Powerlong City Plaza, Bengbu, Anhui Province, PRC	1,951,000,000	100%	1,951,000,000
7.	Zhengzhou Powerlong City Plaza, Zhengdong District, Zhengzhou, Henan Province, PRC	1,869,000,000	100%	1,869,000,000
8.	Qingdao Powerlong City Plaza, Chengyang District, Qingdao, Shandong Province, PRC	3,990,000,000	100%	3,990,000,000
9.	Phase I of Wuxi Yuqi Powerlong Riverside Garden, Yuqi Town, Huishan District, Wuxi, Jiangsu Province, PRC	433,000,000	100%	433,000,000
Sub-total:		12,117,000,000		11,869,000,000

Group III — Property interests held by the Group for future development in the PRC

10.	Phase II of Suzhou Taicang Powerlong City Plaza, Taicang, Suzhou, Jiangsu Province, PRC	157,900,000	100%	157,900,000

APPENDIX IV

PROPERTY VALUATION

No.	Property	Market value in existing state as at 30 June 2009	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 June 2009
11.	Portion of Phase I and Phase II of Luoyang Powerlong City Plaza, Luoyang, Henan Province, PRC	1,161,000,000	100%	1,161,000,000
12.	Phase II of Wuxi Yuqi Powerlong Riverside Garden, Yuqi Town, Wuxi, Jiangsu Province, PRC	334,000,000	100%	334,000,000
13.	A site located at Haiyang County, Yantai, Shandong Province, PRC	1,021,000,000	100%	1,021,000,000
14.	A site located at Fuxin District, Suqian, Jiangsu Province, PRC	688,000,000	100%	688,000,000
15.	A site located at Youyi Road, Xinxiang, Henan Province, PRC	1,025,000,000	100%	1,025,000,000
16.	A site located at Qingnian Road South, Yancheng, Jiangsu Province, PRC	870,000,000	100%	870,000,000
17.	A site located at south of Qingfeng Park, Changzhou, Jiangsu Province, PRC	725,000,000	100%	725,000,000

APPENDIX IV

PROPERTY VALUATION

No.	Property	Market value in existing state as at 30 June 2009	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 June 2009
18.	A site located at Licang District, Qingdao, Shandong Province, PRC	931,000,000	100%	931,000,000
Sub-total:		6,912,900,000		6,912,900,000

Group IV — Property interests leased by the Group in the PRC

19.	Units Nos. 131 and 386, Shifuer District Taicang, Suzhou, Jiangsu Province, PRC	No commercial value	100%	No commercial value
20.	Unit No. 303 of Block 3 and Unit 404 of Block 7, Powerlong City Plaza, Suzhou, Jiangsu Province, PRC	No commercial value	100%	No commercial value
21.	Units Nos. 102 and 202, Unit 1 of Block 12, Nanbei Miya Garden, Bengbu, Anhui Province, PRC	No commercial value	100%	No commercial value
22.	Unit No. 406, Unit 3 of Block 17, Zijing Mingliu, Bengbu, Anhui Province, PRC	No commercial value	100%	No commercial value
23.	17 units on Levels 2 and 3, Powerlong Center Phase II, 305 Jiahe Road, Kaiyuan District, Xiamen, Fujian Province, PRC	No commercial value	100%	No commercial value

APPENDIX IV

PROPERTY VALUATION

No.	Property	Market value in existing state as at 30 June 2009	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 June 2009
24.	Unit No. 602, Unit 4 of Block 10, Haitongyuan Garden, Qingdao, Shandong Province, PRC	No commercial value	100%	No commercial value
25.	Unit No. 201, Unit 2 of Block 6, Mingfu Garden, Qingdao, Shandong Province, PRC	No commercial value	100%	No commercial value
26.	Unit No. 301, Unit 4 of Block 9, Beifeng Residential District, Qingdao, Shandong Province, PRC	No commercial value	100%	No commercial value
27.	Unit No. 401, Unit 1 of Block 14, Shengfu Garden, Qingdao, Shandong Province, PRC	No commercial value	100%	No commercial value
Sub-total:		Nil		Nil
Grand total:		<u>20,008,900,000</u>		<u>19,760,900,000</u>

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interest held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																		
1. Fuzhou Powerlong City Plaza, Taijiang Region, Fuzhou, Fujian Province, PRC	Fuzhou Powerlong City Plaza (the “Development”) is a large-scale residential/commercial development standing on 4 parcels of land with a total site area of approximately 72,874.00 sq.m. (784,416 sq.ft.). The Development comprises two 12-storey residential buildings over-mounting a 7-storey commercial podium (including a 2-level basement), a night club building and a disco building which are close to the commercial podium. The property was completed in between 2006 and 2008. The property has a total gross floor area of approximately 190,183.49 sq.m. (2,047,135 sq.ft.), the breakdown of which is as follows: <table><tr><th>Level</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>33,274.06</td><td>358,162</td></tr><tr><td>Commercial</td><td>141,740.06</td><td>1,525,690</td></tr><tr><td>Night Club & Disco</td><td>15,169.37</td><td>163,283</td></tr><tr><td>Total</td><td>190,183.49</td><td>2,047,135</td></tr></table> The land use rights of the property have been granted for terms of 40 years, 50 years and 70 years for commercial, office and residential uses respectively (See Note 1).	Level	Approximate gross floor area			sq.m.	sq.ft.	Residential	33,274.06	358,162	Commercial	141,740.06	1,525,690	Night Club & Disco	15,169.37	163,283	Total	190,183.49	2,047,135	Besides the portions which have been delivered to the purchasers, portion of the property with a total gross floor area of approximately 90,840.00 sq.m. was subject to various tenancies with the latest term expiring on 30 June 2027 yielding a total annual rental of approximately Rmb 42,993,000 whilst the remaining portion of the property was vacant as of the Date of Valuation.	Rmb 979,000,000 (100% interest attributable to the Group: Rmb 979,000,000)
Level	Approximate gross floor area																				
	sq.m.	sq.ft.																			
Residential	33,274.06	358,162																			
Commercial	141,740.06	1,525,690																			
Night Club & Disco	15,169.37	163,283																			
Total	190,183.49	2,047,135																			

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to the following State-owned Land Use Certificates, the land use rights of the property with a total site area of approximately 72,874.00 sq.m. have been granted to Fuzhou Powerlong Real Estate Development Co., Ltd. (“Fuzhou Powerlong”), which is a wholly-owned subsidiary of the Company, details of which are listed below.

<u>Certificate Nos.</u>	<u>Site Area</u> (sq.m.)	<u>Land Use and Date of Expiry</u>
Rong Guo Yong (2004) No. 00164000123	57,776.00	Commercial: 10 May 2044 Office: 10 May 2054 Residential: 10 May 2074
Rong Guo Yong (2004) No. 00184000219	10,603.00	Commercial: 16 August 2044 Office: 16 August 2054 Residential: 16 August 2074
Rong Guo Yong (2005) No. 00194000249	3,320.00	Commercial: 10 May 2044 Office: 10 May 2054 Residential: 10 May 2074
Rong Guo Yong (2006) No. 31835000144	1,175.00	Ancillary facilities for commercial: 15 May 2046

- Pursuant to 19 Building Ownership Certificates, the building ownership for portion of the property with a gross floor area of approximately 87,035.12 sq.m. has been granted to Fuzhou Powerlong.

The Group is now in the process of obtaining the Building Ownership Certificates for the remaining portion of the property which are expected to be obtained on or before June 2010.

- Pursuant to 3 Pre-sale Permits — (2005) Rong Fang Xu Zi No. 2008, (2006) Rong Fang Xu Zi No. 2308 and (2006) Rong Fang Xu Zi No. 2250, portions of the property with a total gross floor area of approximately 155,722.60 sq.m. have been approved for pre-sale.
- Pursuant to 2 construction works completion inspection certificate (“certificate of completion”), portions of the property with a total gross floor area of approximately 180,542.50 sq.m. have been completed and are fit for occupation.

The Group has not obtained the certificate of completion for the remainder of the property (the “Remainder of the property”). As advised by the Group, construction works of such portion of the property were completed and are being examined by relevant local authorities.

- As advised by the Group, portions of the property with a total gross floor area of approximately 85,572.00 sq.m. were pre-sold and delivered to the purchasers as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
- For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 94,835.09 sq.m., which the Group has classified as investment properties for long term investment, was Rmb 974,000,000 as at 30 June 2009.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - the land use rights of the property are legally owned by Fuzhou Powerlong. Fuzhou Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged portions, the pre-sold portions and the leased portion;

APPENDIX IV

PROPERTY VALUATION

- (ii) the land premium of the land (Rong Guo Rong (2006) No. 31835000144) with a site area of approximately 1,175.00 sq.m. has been paid in full and there is no requirement for payment of further land premium;
- (iii) pursuant to 2 Contracts for Grant of State-owned Land Use Rights Rong Di He (2003) Nos. 94 and 131 and their Supplemental Agreements, the total land premium of 3 parcels of land (Rong Guo Yong (2004) No. 00164000123, Rong Guo Yong (2004) No. 00184000219 and Rong Guo Yong (2005) No. 00194000249) with a total site area of approximately 71,699.00 sq.m. is Rmb 161,437,846. Based on the information provided by Fuzhou Powerlong, Fuzhou Powerlong has paid a lump sum of Rmb 108,301,121. According to a document (Rong Cai Zong (2004) No. 1400), Fuzhou Powerlong is awarded with an amount of Rmb 500,000 per mu of site area of the 3 parcels of land and the awarded amount can be used to offset the land premium of the 3 parcels of land. The outstanding land premium has been offset with the award at a total offset amount of approximately Rmb 53,834,000. However, Fuzhou Powerlong may have to settle the unpaid land premium upon request by other relevant authorities, and the PRC laws and regulations have not specified any timeframe for rescission or adjustment of the award agreement in such situation. Fuzhou Powerlong has not received any request for rescission or adjustment of the award agreement. Further, Fuzhou Powerlong will not be subject to administrative penalty in relation to the above offset;
- (iv) Fuzhou Powerlong has obtained 2 certificates of completion for portions of the property with a total gross floor area of approximately 180,542.50 sq.m.. There is no legal impediment for Fuzhou Powerlong to obtain the Building Ownership Certificates of such portions of the property;
- (v) regarding portion of the property which has obtained certificates of completion and has been leased, the tenancy agreements (“the Completed Tenancy Agreements”) were signed before the date of the mortgage as mentioned in (xvii) below and these tenancy agreements are legal, valid and binding on both parties;
- (vi) the Completed Tenancy Agreements have not been registered but this will not affect the validity of these tenancy agreements or the rights of Fuzhou Powerlong, as lessor, under the Completed Tenancy Agreements (including the right to collect rent);
- (vii) according to the PRC laws, Fuzhou Powerlong may be subject to administrative penalties for non-registration of the Completed Tenancy Agreements, however, the effective PRC laws and regulations have not set the amount of the penalties;
- (viii) for the portions which are now subject to the Completed Tenancy Agreements, Fuzhou Powerlong is not allowed to re-let or dispose of these portions of the property. Moreover, in the absence of special circumstances Fuzhou Powerlong is required to notify the lessees in a reasonable period before selling these leased properties and the lessees shall have first priority to purchase the leased properties under the same terms and conditions;
- (ix) since Fuzhou Powerlong has obtained the certificates of completion for the leased properties under the Completed Tenancy Agreements, Fuzhou Powerlong is in a position to deliver such properties to the lessees according to the Completed Tenancy Agreements;
- (x) regarding portion of the property which has not yet concluded the completion examination procedure and has been leased, the tenancy agreements (“the Other Tenancy Agreements”) were signed before the date of the mortgage as mentioned in (xvii) below and these tenancy agreements are legal, valid and binding on both parties;
- (xi) the Other Tenancy Agreements have not been registered but this will not affect the validity of these tenancy agreements or the rights of Fuzhou Powerlong, as lessor, under the Other Tenancy Agreements (including the right to collect rent);
- (xii) according to the PRC laws, Fuzhou Powerlong may be subject to administrative penalties for non-registration of the Other Tenancy Agreements, however, the effective PRC laws and regulations have not set the amount of the penalties;

APPENDIX IV

PROPERTY VALUATION

- (xiii) for the portions which are now subject to the Other Tenancy Agreements, Fuzhou Powerlong is not allowed to re-let or dispose of these portions of the property. Moreover, in the absence of special circumstances Fuzhou Powerlong is required to notify the lessees in a reasonable period before selling the leased properties and the lessees shall have first priority to purchase the leased properties under the same terms and conditions;
- (xiv) pending conclusion of the completion examination procedure of the leased properties under the Other Tenancy Agreements, Fuzhou Powerlong can deliver such properties to the lessees according to the Other Tenancy Agreements. However, Fuzhou Powerlong has delivered the leased properties to the lessees before concluding the completion examination procedure, according to the PRC laws, Fuzhou Powerlong may be required to conclude the completion examination procedure within the prescribed deadline and may also be subject to a maximum fine of Rmb 300,000 if Fuzhou Powerlong fails to do so. As advised by the Group, Fuzhou Powerlong has not been penalized as aforesaid;
- (xv) Fuzhou Powerlong has obtained the Pre-sale Permits for the pre-sold portions of the property and has the right to pre-sell the same;
- (xvi) Fuzhou Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Fuzhou Powerlong is still entitled to develop and construct such portions of the property before delivery;
- (xvii) portions of the property with a total gross floor area of approximately 61,948.90 sq.m. and the apportioned land use rights are subject to 6 mortgages in favour of Bank of China Limited Fujian Branch for a total loan amount of Rmb 350,000,000;
- (xviii) for the portions which are now subject to mortgage, Fuzhou Powerlong has the right to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagee during the mortgage period whilst there is no legal impediment for Fuzhou Powerlong to transfer, lease, mortgage, or dispose of the remaining portion of the property excluding those that have been pre-sold or leased;
- (xix) except for the aforesaid mortgaged portions, leased portions and the pre-sold portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
- (xx) all necessary authorizations and permits have been obtained in respect of the construction works of the Remainder of the property. Fuzhou Powerlong has the legal and complete right to develop the Remainder of the property.

APPENDIX IV

PROPERTY VALUATION

Group II — Property interests held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																		
2. Portion of Phase I of Suzhou Taicang Powerlong City Plaza, Taicang, Suzhou, Jiangsu Province, PRC	The property comprises portion of phase I of Suzhou Taicang Powerlong City Plaza (the “Proposed Development”) erected on 3 parcels of land with a total site area of approximately 118,116.60 sq.m. (1,271,407 sq.ft.). The Proposed Development is planned to be developed into a residential/ commercial development in 2 phases. Upon completion, the total gross floor area of the property will be approximately 198,551.51 sq.m. (2,137,208 sq.ft.) plus 394 car parking spaces with a total gross floor area of approximately 14,970.81 sq.m. (161,146 sq.ft.), the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>101,175.42</td><td>1,089,052</td></tr><tr><td>Commercial</td><td>43,624.29</td><td>469,572</td></tr><tr><td>Hotel and ancillary facilities</td><td>53,751.80</td><td>578,584</td></tr><tr><td>Total</td><td>198,551.51</td><td>2,137,208</td></tr></table> The construction works of the property were commenced in July 2005 and are scheduled to be completed in December 2009. The land use rights of the property have been granted for terms of 40 years and 70 years expiring on 27 May 2044 and 27 May 2074 for commercial and residential uses respectively.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	101,175.42	1,089,052	Commercial	43,624.29	469,572	Hotel and ancillary facilities	53,751.80	578,584	Total	198,551.51	2,137,208	Portion of the property with a gross floor area of approximately 139,189.82 sq.m. was completed whilst the remaining portion was under construction.	Rmb 324,000,000 (100% interest attributable to the Group: Rmb 324,000,000)
Usage	Approximate gross floor area																				
	sq.m.	sq.ft.																			
Residential	101,175.42	1,089,052																			
Commercial	43,624.29	469,572																			
Hotel and ancillary facilities	53,751.80	578,584																			
Total	198,551.51	2,137,208																			

Notes:

- Pursuant to 2 State-owned Land Use Certificates — Tai Guo Yong (2005) Nos. 501000286 and 501000287, the land use rights of 2 parcels of land with a total site area of approximately 105,605.10 sq.m. have been granted to Suzhou Powerlong Property Development Co., Ltd. ("Suzhou Powerlong"), which is a wholly-owned subsidiary of the Company, for terms of 40 years and 70 years expiring on 27 May 2044 and 27 May 2074 for commercial and residential uses respectively (please also refer to Note 2 below).

APPENDIX IV

PROPERTY VALUATION

2. Pursuant to a State-owned Land Use Certificate — Tai Guo Yong (2007) No. 501001527, the land use rights of another portion of the property with a site area of approximately 13,676.60 sq.m. (1,165.10 sq.m. from Tai Guo Yong (2005) No. 501000287 and 12,511.50 sq.m. from Tai Guo Yong (2005) No. 501000288) have been granted to Suzhou Taicang Powerlong Hotel Company Limited ("Suzhou Hotel"), which is a wholly owned subsidiary of the Company, for a term of 40 years commencing on 28 May 2004 and expiring on 27 May 2044 for commercial uses.
3. Pursuant to a construction land planning permit — Tai Cheng Gui (2004) No. 091, planned construction works of the property with a site area of approximately 177 mu (118,000.00 sq.m.) are permitted and applied to the site of the State-owned Land Use Certificates Nos. Tai Guo Yong (2005) Nos. 501000286 and 501000287 and Tai Guo Yong (2007) No. 501001527.
4. Pursuant to 5 construction works planning permits — Copy Nos. 137 and 073, Tai Cheng Gui (2007) No. 024, Tai Cheng Jian (2008) Nos. 006 and 70, construction works of phase I of Suzhou Taicang Powerlong City Plaza with a total planned gross floor area of approximately 353,416.74 sq.m. are in compliance with the requirements of urban construction and are approved to be built on the sites of both State-owned Land Use Certificates Nos. Tai Guo Yong (2005) Nos. 501000286 and 501000287.
5. Pursuant to a construction works planning permit — Tai Cheng (2006) No. 081, construction works of portion of the property with a planned gross floor area of approximately 53,751.80 sq.m. are in compliance with the requirements of urban construction and are approved to be built for the site of the State-owned Land Use Certificate No. Tai Guo Yong (2007) No. 501001527.
6. Pursuant to 8 construction works commencement permits ("construction permits") — Nos. 320522200507220101, 320522200509010201, 320522200506090101, 320522200509200101, 320522200512210201, 320522200512050301, 320585200705140301 and 320585200707050101, the construction works of portion of phase I of Suzhou Taicang Powerlong City Plaza with a total planned gross floor area of approximately 158,146.60 sq.m. are permitted to commence construction for the sites of both State-owned Land Use Certificates Nos. Tai Guo Yong (2005) Nos. 501000286 and 501000287.
7. Pursuant to a construction permit — No. 32052200611280101, the construction works of portion of the property with a total planned gross floor area of approximately 53,752.00 sq.m. are permitted to commence construction for the site of the State-owned Land Use Certificate No. Tai Guo Yong (2007) No. 501001527.
8. Pursuant to 10 Pre-sale Permits — Tai (2005) Yu Zhun Zi Nos. 047, 050, 054, 065, 062, 067 and 083, Tai (2006) Yu Zhun Zi No. 009 and Tai (2007) Yu Zhun Zi Nos. 017 and 021, portions of the property with a total gross floor area of approximately 145,770.82 sq.m. have been approved for pre-sale for the sites of both State-owned Land Use Certificates Tai Guo Yong (2005) Nos. 501000286 and 501000287.
9. Pursuant to 3 certificates of completions, portions of phase I of Suzhou Taicang Powerlong City Plaza with a total gross floor area of approximately 139,189.82 sq.m. have been completed and are fit for occupation.

The Group is now in the process of obtaining the Building Ownership Certificates for the said portions which are expected to be obtained on or before June 2010.
10. As advised by the Group, portions of the property with a total gross floor area of approximately 128,297.00 sq.m. were pre-sold and delivered to the purchasers as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
11. As advised by the Group, portions of the property with a total gross floor area of approximately 6,336.00 sq.m. were pre-sold at a total consideration of approximately Rmb 19,269,000 as at 30 June 2009, which has been taken into account in our valuation.
12. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 56,308,000. In the course of our valuation, we have taken into account the said cost.
13. The capital value of the property as if completed as at 30 June 2009 was Rmb 449,000,000.

APPENDIX IV

PROPERTY VALUATION

14. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:

for State-owned Land Use Certificates Tai Guo Yong (2005) Nos. 501000286 and 501000287

- (i) the land use rights of the property are legally owned by Suzhou Powerlong. Suzhou Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the pre-sold portions;
- (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;
- (iii) Suzhou Powerlong has obtained the certificates of completion for portion of the property with a gross floor area of approximately 139,189.82 sq.m.. There is no legal impediment for Suzhou Powerlong to obtain the Building Ownership Certificates of such portion of the property;
- (iv) regarding portion of the property which have obtained certificates of completion and has been leased, the tenancy agreements are legal, valid and binding on both parties;
- (v) Suzhou Powerlong has obtained the Pre-sale Permits for the pre-sold portions of the property and has the right to pre-sell the same;
- (vi) Suzhou Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Suzhou Powerlong is still entitled to develop and construct such portions of the property before delivery;
- (vii) except for the pre-sold portions, the remaining portion of the property is free from any mortgages or other third party encumbrances;
- (viii) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Suzhou Powerlong has the legal and complete right to develop the property;

for State-owned Land Use Certificate Tai Guo Yong (2007) No. 501001527

- (ix) the land use rights of the property are legally owned by Suzhou Hotel. Suzhou Hotel is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged portions;
- (x) all land premium has been paid in full and there is no requirement for payment of further land premium;
- (xi) portions of the property with a total gross floor area of approximately 53,751.80 sq.m. and the apportioned land use rights are subject to a mortgage in favour of Chinese Mercantile Bank for a loan amount of Rmb 100,000,000;
- (xii) for the portions which are now subject to mortgage, Suzhou Hotel has the rights to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagee;
- (xiii) except for the aforesaid mortgaged portions, the remaining portion of the property is free from any mortgages or other third party encumbrance; and
- (xiv) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Suzhou Hotel has the legal and complete rights to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009															
3. Wuxi Powerlong City Plaza, Wuxi New District, Wuxi, Jiangsu Province, PRC	The property under consideration is known as Wuxi Powerlong City Plaza (the “Proposed Development”) and erected on 2 parcels of land with a total site area of approximately 77,020.20 sq.m. (829,045 sq.ft.). The Proposed Development is planned to be developed into a commercial development. Upon completion, the total gross floor area of the property will be approximately 234,131.61 sq.m. (2,520,192 sq.ft.) plus 1,600 car parking spaces with a total gross floor area of approximately 50,055.18 sq.m. (538,794 sq.ft.), the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><th></th><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Apartment</td><td>82,905.36</td><td>892,393</td></tr><tr><td>Commercial</td><td>151,226.25</td><td>1,627,799</td></tr><tr><td>Total</td><td>234,131.61</td><td>2,520,192</td></tr></table> The construction works of the property were commenced in May 2007 and are scheduled to be completed in December 2010. The land use rights of the property have been granted for a term of 40 years expiring on 29 December 2046 for commercial use.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Apartment	82,905.36	892,393	Commercial	151,226.25	1,627,799	Total	234,131.61	2,520,192	The property is under construction.	Rmb 1,240,000,000 (80% interest attributable to the Group: Rmb 992,000,000)
Usage	Approximate gross floor area																	
	sq.m.	sq.ft.																
Apartment	82,905.36	892,393																
Commercial	151,226.25	1,627,799																
Total	234,131.61	2,520,192																

Notes:

- Pursuant to 2 State-owned Land Use Certificates — Xi Xin Guo Yong (2007) Nos. 10 and 11, the land use rights of the property with a total site area of approximately 77,020.20 sq.m. have been granted to Wuxi Powerlong Real Estate Development Co., Ltd. ("Wuxi Powerlong"), in which the Company has an attributable interest of 80%, for a term of 40 years expiring on 29 December 2046 for commercial use.
- Pursuant to a construction land planning permit — Xi Xin Gui Di Xu (2006) No. 159, planned construction works of the property with a total site area of approximately 77,020.20 sq.m. are permitted.
- Pursuant to 2 construction works planning permits — Xi Xin Gui Jian Xu (2007) No. 46 and Jian Zi No. 3202012008X0096, the construction works of the property with a total planned gross floor area of approximately 276,583.58 sq.m. are in compliance with the requirements of urban construction and are approved to be built.

APPENDIX IV

PROPERTY VALUATION

4. Pursuant to 2 construction permits Nos. 3202992007051500001A and 3202992008060600001A, the construction works of the property with a total planned gross floor area of approximately 276,583.58 sq.m. are permitted to commence construction.
5. Pursuant to 2 Pre-sale Permits — (2007) Yu Xiao Zhun Zi No. (053) and (2008) Yu Xiao Zhun Zi No. 125, the property with a total gross floor area of approximately 233,522.74 sq.m. has been approved for pre-sale.
6. Pursuant to a certificate of completion, portions of the property with a gross floor area of approximately 10,300.40 sq.m. have been completed and are fit for occupation.

The Group is now in the process of obtaining the Building Ownership Certificates for the said portion which is expected to be obtained on or before June 2010.

7. As advised by the Group, portions of the property with a total gross floor area of approximately 15,244.00 sq.m. were pre-sold at a total consideration of Rmb 184,611,000 as at 30 June 2009, which has been taken into account in our valuation.
8. As advised by the Group, portions of the property with a total gross floor area of approximately 10,000.00 sq.m. were pre-sold and delivered as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
9. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 402,117,000. In the course of our valuation, we have taken into account the said cost.
10. The capital value of the property as if completed as at 30 June 2009 was Rmb 2,281,000,000.
11. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Wuxi Powerlong. Wuxi Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged portions and the pre-sold portions;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;
 - (iii) Wuxi Powerlong has obtained a certificate of completion with a gross floor area of approximately 10,300.40 sq.m.. There is no legal impediment for Wuxi Powerlong to obtain the Building Ownership Certificate of such portion of the property;
 - (iv) Wuxi Powerlong has obtained the Pre-sale Permit for the pre-sold portions of the property and has the right to pre-sell the same;
 - (v) Wuxi Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Wuxi Powerlong is still entitled to develop and construct such portions of the property before delivery;
 - (vi) portion of the property with a site area of approximately 71,960.30 sq.m. is subject to a mortgage in favour of Agricultural Bank of China, Wuxi Taihu Branch for a loan amount of Rmb 140,000,000;
 - (vii) for the portions which are now subject to mortgages, Wuxi Powerlong has the rights to transfer, lease mortgage or dispose of such portions of the property after obtaining consents from the mortgage during the mortgaged period;

APPENDIX IV

PROPERTY VALUATION

- (viii) except for the aforesaid mortgaged and pre-sold portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
- (ix) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Wuxi Powerlong has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009
4. Tai'an Powerlong City Plaza, Tai'an, Shandong Province, PRC	The property under consideration is known as Tai'an Powerlong City Plaza (the "Proposed Development") and erected on 7 parcels of land with a total site area of approximately 237,515.00 sq.m. (2,556,611 sq.ft.). The Proposed Development is planned to be developed into a commercial/residential composite development and is scheduled to be developed in 2 phases. Upon completion, the total gross floor area of Phase I of the property will be approximately 68,924.67 sq.m. (741,906 sq.ft.) and Phase II of the property will be approximately 219,653.18 sq.m. (2,364,347 sq.ft.) plus 364 car parking spaces with a total gross floor area of approximately 13,366.81 sq.m. (143,880 sq.ft.), the breakdown of which is as follows:	The property is under construction.	Rmb 1,018,000,000 (100% interest attributable to the Group: Rmb 1,018,000,000)

Phase I

Usage	Approximate gross floor area	
	sq.m.	sq.ft.
Residential	61,329.67	660,153
Commercial	7,595.00	81,753
Sub-total	68,924.67	741,906

Phase II

Usage	Approximate gross floor area	
	sq.m.	sq.ft.
Residential	55,634.44	598,849
Commercial	114,335.74	1,230,710
Hotel with ancillary facilities	49,683.00	534,788
Sub-total	219,653.18	2,364,347

Total	<u>288,577.85</u>	<u>3,106,253</u>

The construction works of the property are scheduled to be fully completed in May 2010.

Out of the 7 parcels of land of the property, the land use rights of 5 parcels of land with a total site area of approximately 112,468.00 sq.m. have been granted for terms of 70 years expiring on 21 March 2076 and 17 July 2076 for residential use whilst the remaining 2 parcels of land with a total site area of approximately 125,047.00 sq.m. have been granted for terms of 40 years commencing on 18 July 2006 and expiring on 17 July 2046 for commercial services use.

APPENDIX IV

PROPERTY VALUATION

Notes:

1. Pursuant to 7 State-owned Land Use Certificates — Tai Tu Guo Yong (2006) Nos. T-0014 and T-0032 to T-0037, the land use rights of the property with a total site area of approximately 237,515.00 sq.m. have been granted to Shandong Powerlong Industry Development Co., Ltd. (“Shandong Powerlong”), which is a wholly owned subsidiary of the Company, for terms of 70 years expiring on 21 March 2076 and 17 July 2076 for residential uses and 40 years expiring on 17 July 2046 for commercial services uses.
2. Pursuant to 2 construction land planning permits — (2006) Lu 09-00-0021 and (2006) Lu 09-00-0050, planned construction works of the property with a total site area of approximately 237,515.00 sq.m. are permitted.
3. Pursuant to 4 construction works planning permits — (2006) Lu 09-00-0067, (2007) Lu 09-00-0036, 09-00-0038 and 09-00-0039, the construction works of the property with a total planned gross floor area of approximately 296,707.66 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
4. Pursuant to 4 construction permits — 2006-00-0067, 2007-00-0066, 2007-00-065 and 2007-00-049, the construction works of the property with a total planned gross floor area of approximately 296,707.66 sq.m. are permitted to commence construction.
5. Pursuant to 15 Pre-sale Permits — Tai Fang Shou Zheng Nos. (2006) 031, (2007) 002, (2007) 008, (2007) 017, (2007) 019, (2007) 028, (2007) 029, (2007) 031, (2007) 032 and Tai Fang Yu Shou Zheng No. (2008) 002, (2008) 007, (2008) 011, (2008) 015, (2008) 025 and (2008) 031, portions of the property with a total gross floor area of approximately 224,808.11 sq.m. have been approved for pre-sale.
6. As advised by the Group, portions of the property with a total gross floor area of approximately 54,280.00 sq.m. were pre-sold at a total consideration of Rmb 268,902,000 as at 30 June 2009, which has been taken into account in our valuation.
7. As advised by the Group, portions of the property with a total gross floor area of approximately 62,729.00 sq.m. were pre-sold and delivered to the purchasers as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
8. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 310,943,000. In the course of our valuation, we have taken into account the said cost.
9. The capital value of the property as if completed as at 30 June 2009 was Rmb 1,629,000,000.
10. For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 56,331.10 sq.m., which the Group has classified as investment properties for long term investment, as if completed and assuming all the construction costs (including the professional fees and interest costs) have been fully settled as at 30 June 2009 was Rmb 480,000,000.
11. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Shandong Powerlong. Shandong Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged and pre-sold portions;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;

APPENDIX IV

PROPERTY VALUATION

- (iii) portion of the property with a total site area of approximately 70,586.00 sq.m. is subject to a mortgage in favour of Industrial and Commercial Bank of China, Tai'an Train Station Branch for a loan amount of Rmb 60,000,000 whilst another portion of the property with a total site area of 103,288.18 sq.m. is subject to a mortgage in favour of China Construction Bank, Tai'an Branch for a loan amount of Rmb 90,000,000;
- (iv) for the portions which are now subject to mortgage, Shandong Powerlong has the right to transfer, lease, mortgage or dispose of such portion of the property after obtaining consents from the mortgagee during the mortgage period;
- (v) Shandong Powerlong has obtained the Pre-sale Permits for the pre-sold portions of the property and has the right to pre-sell the same;
- (vi) Shandong Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Shandong Powerlong is still entitled to develop and construct such portions of the property before delivery;
- (vii) except for the aforesaid mortgaged portions and the pre-sold portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
- (viii) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Shandong Powerlong has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009
5. Portion of Phase I of Luoyang Powerlong City Plaza, Luoyang, Henan Province, PRC	The property comprises portion of phase I (also known as Districts D and E) of Luoyang Powerlong City Plaza (the "Proposed Development") erected on 2 parcels of land with a total site area of approximately 115,242.60 sq.m. (1,249,471 sq.ft.).	The property is under construction.	Rmb 1,292,000,000 (100% interest attributable to the Group: Rmb 1,292,000,000) (See Note 10)

The Proposed Development is planned to be developed into a residential/ commercial development comprising hardware and construction material markets. Upon completion, the total gross floor area of the property will be approximately 342,678.13 sq.m. (3,688,587 sq.ft.) plus 1,226 car parking spaces with a total gross floor area of approximately 29,584.65 sq.m. (318,449 sq.ft.), the breakdown of which is as follows:

Usage	Approximate gross floor area	
	sq.m.	sq.ft.
Residential	101,377.86	1,091,231
Commercial	241,300.27	2,597,356
Total	342,678.13	3,688,587

The construction works of the property were commenced in November 2006 and are scheduled to be completed in October 2009.

The land use rights of the property have been granted for terms of 40 years and 70 years expiring on 1 February 2046 and 1 February 2076 for commercial and residential uses respectively.

Notes:

- Pursuant to 2 State-owned Land Use Certificates — Luo Shi Guo Yong (2006) Nos. 05001234 and 05001235, the land use rights of the property with a total site area of approximately 115,242.60 sq.m. have been granted to Luoyang Powerlong Property Development Company Limited ("Luoyang Powerlong"), which is a wholly owned subsidiary of the Company, for terms of 40 years and 70 years expiring on 1 February 2046 and 1 February 2076 for commercial and residential uses respectively.
- Pursuant to a construction land planning permit — Luo Cheng Gui Zheng Zi (2006) No. 052, planned construction works of Luoyang Powerlong City Plaza with a total site area of approximately 543,301.643 sq.m. (including 187,694.201 sq.m. for public roads) are permitted.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to 6 construction works planning permits — Luo Cheng Gui Zheng (2006) Nos. 841 to 845 and 2007064, the construction works of Phase I of Luoyang Powerlong City Plaza with a total planned gross floor area of approximately 449,186.00 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
4. Pursuant to a construction permit No. 28, the construction works of the property are approved.
5. Pursuant to 3 Pre-sale Permits — Luo Fang Shi Shang Yu Zi Nos. Y07-055, Y06-099 and 07-012, portions of the property with a total gross floor area of approximately 426,286.00 sq.m. have been approved for pre-sale.
6. As advised by the Group, portions of the property with a total gross floor area of approximately 142,583.00 sq.m. were pre-sold at a total consideration of Rmb 555,939,000 as at 30 June 2009, which has been taken into account in our valuation.
7. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 349,993,000. In the course of our valuation, we have taken into account the said cost.
8. The capital value of the property as if completed as at 30 June 2009 was Rmb 1,875,000,000.
9. For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 63,200.21 sq.m., which the Group has classified as investment properties for long term investment, as if completed and assuming all the construction costs (including the professional fees and interest costs) have been fully settled as at 30 June 2009 was Rmb 265,000,000.
10. As advised by the Group, an outstanding land premium of the 6 parcels of land of Luoyang Powerlong City Plaza as at 30 June 2009 with an amount of approximately Rmb 89,599,964 has not been paid. In the course of our valuation, we have not taken into account the said land premium and have assumed that the land premium for this property has been fully paid.
11. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Luoyang Powerlong. Luoyang Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings erected thereon except the mortgaged and pre-sold portions;
 - (ii) the land premium of the Proposed Development has not been paid in full. As at 30 June 2009, the outstanding land premium of the Proposed Development was approximately Rmb 89,599,964.
 - (iii) portions of the property with a total gross floor area of approximately 60,552.96 sq.m. and the apportioned land use rights are subject to a mortgage in favour of Agricultural Bank of China, Luoyang Branch for a loan amount of Rmb 50,000,000;
 - (iv) for the portions which are now subject to a mortgage, Luoyang Powerlong has the rights to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagee during the mortgage period;
 - (v) Luoyang Powerlong has obtained the Pre-sale Permits for the pre-sold portions of the property and has the rights to pre-sell the same;
 - (vi) Luoyang Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Luoyang Powerlong is still entitled to develop and construct such portions of the property before delivery;

APPENDIX IV

PROPERTY VALUATION

- (vii) except for the aforesaid mortgaged portions and the pre-sold portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
- (viii) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Luoyang Powerlong has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009
6. Bengbu Powerlong City Plaza, Bengbu, Anhui Province, PRC	The property under consideration is known as Bengbu Powerlong City Plaza (the "Proposed Development") and erected on 4 parcels of land with a total site area of approximately 192,312.70 sq.m. (2,070,054 sq.ft.).	Portion of the property with a gross floor area of approximately 145,691.97 sq.m. was completed whilst the remaining portion was under construction.	Rmb 1,951,000,000

(100]% interest attributable to the Group:
Rmb 1,951,000,000)

The Proposed Development is planned to be developed into a commercial/residential development. Upon completion, the total gross floor area of the property will be approximately 403,239.05 sq.m. (4,340,465 sq.ft.) plus 1,781 car parking spaces with a total gross floor of approximately 87,970.00 sq.m. (946,909 sq.ft.), the breakdown of which is as follows:

Amongst the completed portion and besides the portions which have been delivered to the purchasers, 43,311.93 sq.m. was subject to various tenancies with the latest term expiring in 2029 at a monthly rental of approximately Rmb 1,332,000 whilst the remaining portion was vacant as of the Date of Valuation.

Phase I

Usage	Approximate gross floor area	
	sq.m.	sq.ft.
Residential	130,935.26	1,409,387
Commercial	<u>52,048.68</u>	<u>560,252</u>
Sub-total	182,983.94	1,969,639

Phase II

Commercial	<u>220,255.11</u>	<u>2,370,826</u>
Sub-total	220,255.11	2,370,826
Total	<u>403,239.05</u>	<u>4,340,465</u>

The construction works of the property were commenced in September 2006 and are scheduled to be fully completed in February 2010.

The land use rights of the property have been granted for terms of 40 years and 70 years expiring in November 2043 and November 2073 for commercial and residential uses respectively.

APPENDIX IV

PROPERTY VALUATION

Notes:

1. Pursuant to 4 State-owned Land Use Certificates — Beng Guo Yong (Chu Rang) Nos. 07232, 07236, 07237 and 07238, the land use rights of the Development with a total site area of approximately 192,312.70 sq.m. have been granted to Bengbu Powerlong Real Estate Co., Ltd. (“Bengbu Powerlong”), which is a wholly-owned subsidiary of the Company for terms of 40 years and 70 years expiring in November 2043 and November 2073 for commercial and residential uses respectively.
2. Pursuant to 11 Building Ownership Certificates, the building ownership for portion of the property with a gross floor area of approximately 88,812.97 sq.m. has been granted to Bengbu Powerlong.
3. Pursuant to a construction land planning permit — 2006 Yong No. 14, planned construction works of the property with a site area of 288.47 mu (192,312.06 sq.m.) are permitted.
4. Pursuant to 4 construction works planning permits — Jing Fang Jian Zi No. (2006) 003–005 and 008, the construction works of the property with a total planned gross floor area of approximately 437,627.00 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
5. Pursuant to 13 construction permits Nos. 030006100037, 030006090024, 030006090028 to 030006090030 and 030006090033 to 030006090039, the construction works of the property with a total planned gross floor area of approximately 101,162.00 sq.m. are permitted to commence construction.
6. Pursuant to 8 Pre-sale Permits — (Shang Pin) Fang Yu Shou Zheng Nos. 385 (2007), 415 (2007), 413 (2007), 377 (2007), 0299 (2006), 411 (2006), 490 (2007) and 507 (2007), portions of the property with a total gross floor area of 406,037.00 sq.m. have been approved for pre-sale.
7. As advised by the Group, portions of the property with a total gross floor area of approximately 26,017.00 sq.m. were pre-sold at a total consideration of Rmb 202,328,000 as at 30 June 2009, which has been taken into account in our valuation.
8. As advised by the Group, portions of the property with a total gross floor area of approximately 141,999.00 sq.m. were pre-sold and delivered to the purchasers as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
9. Pursuant to a certificate of completion, portions of the property with a gross floor area of approximately 56,879.00 sq.m. have been completed and are fit for occupation.

The Group is now in the process of obtaining the Building Ownership Certificates for the said portion of the property which are expected to be obtained on or before June 2010.
10. As advised by the Group, Bengbu Powerlong has entered into tenancy agreements of portions of the property with third parties.
11. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 288,253,000. In the course of our valuation, we have taken into account the said cost.
12. The capital value of the property as if completed as at 30 June 2009 was Rmb 2,635,000,000.
13. For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 106,854.60 sq.m. of which 21,827.97 sq.m. and 85,026.63 sq.m. are attributable to phase I and phase II respectively and 254 car parking spaces which the Group has classified as investment properties for long term investment, as if completed and assuming all the construction costs (including the professional fees and interest costs) have been fully settled as at 30 June 2009 was Rmb 803,000,000, breakdown values of phase I together with the car parking spaces and phase II are Rmb 140,000,000 and Rmb 663,000,000 respectively.

APPENDIX IV

PROPERTY VALUATION

14. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
- (i) the land use rights of the property are legally owned by Bengbu Powerlong. Bengbu Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged portions, the pre-sold portions and the leased portions;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;
 - (iii) besides a portion of Bengbu Powerlong City Plaza with a total area of approximately 88,812.97 sq.m. which has passed the Completed Construction Works Examination and obtained relevant Building Ownership Certificates, Bengbu Powerlong has also obtained the Completed Construction Works Examination Certificate for portion of the property with a gross floor area of approximately 9,148 sq.m. There is no legal impediment for Bengbu Powerlong to obtain the Building Ownership Certificates of such portion of the property;
 - (iv) regarding portions of the property which has been leased, the tenancy agreements are legal, valid and binding on both parties;
 - (v) the tenancy agreements have not been registered but this will not affect the validity of the tenancy agreements or the rights of Bengbu Powerlong, as lessor, under the tenancy agreements (including the right to collect rent);
 - (vi) according to the PRC laws, Bengbu Powerlong may be subject to administrative penalties for non-registration of the tenancy agreements, however, the effective PRC laws and regulations have not set the amount of the penalties;
 - (vii) Bengbu Powerlong has obtained the relevant consent from the mortgagee under the mortgage as mentioned in (x) below for the entering into of the tenancy agreements prior to 16 June 2008;
 - (viii) for the portions which are now subject to tenancy agreements, Bengbu Powerlong is not allowed to re-let or dispose of these portions of the property. Moreover, in the absence of special circumstances Bengbu Powerlong is required to notify the lessees in a reasonable period before selling the leased properties and the lessees shall have first priority to purchase the leased properties under the same terms and conditions;
 - (ix) pending conclusion of the completed examination procedure of the leased properties, Bengbu Powerlong can deliver such properties to the lessees according to the tenancy agreement;
 - (x) portions of the property with a total site area of approximately 101,791.10 sq.m. are subject to two mortgages in favour of Huishang Bank, Bengbu Branch for a total loan amount of Rmb 122,000,000;
 - (xi) for the portions which are now subject to mortgages, Bengbu Powerlong have the right to transfer, lease, mortgage or dispose of such portions of the property after obtaining consents from the mortgagee during the mortgage period whilst there is no legal impediment for Bengbu Powerlong to transfer, lease, mortgage or dispose of the remaining portion of the property excluding those that have been pre-sold and the leased portions;
 - (xii) Bengbu Powerlong has obtained the Pre-sale Permits for the pre-sold portions and has the right to pre-sell the same;
 - (xiii) Bengbu Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Bengbu Powerlong is still entitled to develop and construct such portions of the property before delivery;

APPENDIX IV

PROPERTY VALUATION

- (xiv) except for the aforesaid mortgaged portions, the pre-sold portions and the leased portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
- (xv) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Bengbu Powerlong has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009
7. Zhengzhou Powerlong City Plaza, Zhengdong District, Zhengzhou, Henan Province, PRC	The property is known as Zhengzhou Powerlong City Plaza (the "Proposed Development") and erected on 2 parcels of land with a total site area of approximately 113,983.90 sq.m. (1,226,923 sq.ft.). The Proposed Development is planned to be developed into a commercial development. Upon completion, the total gross floor area of the property will be approximately 216,799.17 sq.m. (2,333,626 sq.ft.) plus 960 car parking spaces with a total gross floor area of approximately 30,395.39 sq.m. (327,176 sq.ft.), the breakdown of which is as follows:	The construction works of the property were basically completed in December 2008 and are being examined by relevant local authorities. Portion of the property with a total gross floor area of approximately 22,287.51 sq.m. was subject to various tenancies with the latest term expiring on 30 May 2019 yielding a total monthly rental of approximately Rmb 1,008,000 whilst the remaining portion was vacant as of the Date of Valuation.	Rmb 1,869,000,000 (100% interest attributable to the Group: Rmb 1,869,000,000)

Usage	Approximate gross floor area	
	sq.m.	sq.ft.
Apartment	15,197.32	163,584
Commercial	201,601.85	2,170,042
Total	216,799.17	2,333,626

The construction works of the property were commenced in July 2006 and were completed in December 2008.

The land use rights of the property have been granted for a term of 40 years expiring on 30 April 2046 for commercial use.

Notes:

- Pursuant to 2 State-owned Land Use Certificates — Zheng Guo Yong (2006) Nos. 0268 and 0269, the land use rights of the property with a total site area of approximately 113,983.90 sq.m. have been granted to Zhengzhou Pou Long Real Estate Development Co., Ltd. ("Zhengzhou Powerlong"), which is a wholly owned subsidiary of the Company, for a term of 40 years expiring on 30 April 2046 for commercial uses.
- Pursuant to a construction land planning permit — (2005) Zheng Dong Gui Di Guan Xu Zi No. (0027), planned construction works of the property with a site area of approximately 189,129.70 sq.m. (including public roads and green plot) are permitted.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to 3 construction works planning permits — (2006) Zheng Dong Gui Jian Guan Xu Zi No. 0041, (2006) Zheng Dong Gui Gong Guan Xu Zi No. (0031) and (2007) Zheng Dong Gui Gong Guan Xu Zi No. (0063), the main construction works of the property with a total planned gross floor area of approximately 255,805.00 sq.m. and some ancillary construction works with a total gross floor area of approximately 4,909.00 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
4. Pursuant to a construction permit No. 410105200607220101, the construction works of the property with a total planned gross floor area of approximately 255,543.00 sq.m. are permitted to commence construction.
5. Pursuant to 3 Pre-sale Permit — (2007) Zheng Fang Guan Yu Zi No. D0108, (2008) Zheng Fang Guan Yu Zi No. D0238 and (2008) Zheng Fang Guan Yu Zi No. D0254, portions of the property with a total gross floor area of approximately 217,943.71 sq.m. have been approved for pre-sale.
6. As advised by the Group, portions of the property with a total gross floor area of approximately 63,647.00 sq.m. were pre-sold and delivered to the purchasers as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
7. As advised by the Group, Zhengzhou Powerlong has entered into tenancy agreements of portions of the property with third parties.
8. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 57,223,000. In the course of our valuation, we have taken into account the said cost.
9. The capital value of the property as if completed as at 30 June 2009 was Rmb 1,927,000,000.
10. For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 88,359.17 sq.m. and 960 car parking spaces which the Group has classified as investment properties for long term investment, as if completed and assuming all the construction costs (including the professional fees and interest costs) have been fully settled as at 30 June 2009 was Rmb 1,134,000,000.
11. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Zhengzhou Powerlong. Zhengzhou Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged portions, the pre-sold portions and the leased portions;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;
 - (iii) regarding portions of the property which have been leased, some of the tenancy agreements have been registered and the registered tenancy agreements are legal, valid and binding on both parties;
 - (iv) the remaining tenancy agreements have not been registered but this will not affect the validity of such tenancy agreements and the rights enjoyed by Zhengzhou Powerlong according to such tenancy agreements (including the rights of collecting rental payment according to such tenancy agreements). As advised by the Group, Zhengzhou Powerlong will apply for the registrations of such tenancy agreements;
 - (v) regarding the non-registered tenancy agreements, Zhengzhou Powerlong may be required to proceed with the registrations and may also be subject to a fine. However, there are no definite regulations about the amount of the fine to be payable;

APPENDIX IV

PROPERTY VALUATION

- (vi) for the portions which are now subject to tenancy agreements, Zhengzhou Powerlong is not allowed to re-let or dispose of these portions of the property. Moreover, in the absence of special circumstances, Zhengzhou Powerlong is required to notify the lessees in a reasonable period before selling the leased properties and the lessees shall have first priority to purchase the leased properties under the same terms and conditions;
- (vii) pending conclusion of the completion examination procedure, Zhengzhou Powerlong can deliver such properties to the lessees according to the tenancy agreements. However, Zhengzhou Powerlong has delivered the leased properties to the lessees before concluding the completion examination procedure, according to the PRC laws, Zhengzhou Powerlong may be required to proceed with the completion examination procedure within the prescribed deadline and may also be subject to a maximum fine of Rmb 300,000 in the event Zhengzhou Powerlong fails to do so. As advised by the Group, Zhengzhou Powerlong has not been penalized as aforesaid;
- (viii) portions of the Proposed Development with a total planned gross floor area of approximately 173,353.30 sq.m. are subject to a mortgage in favour of The Bank of East Asia (China) Ltd., Qingdao Branch for a loan amount of Rmb 180,000,000;
- (ix) Zhengzhou Powerlong has obtained the relevant consent from the mortgagee under the mortgage as mention in (viii) above for the entering into of the tenancy agreements;
- (x) for the portions which are now subject to a mortgage, Zhengzhou Powerlong has the rights to transfer, lease, mortgage, or dispose of such portions of the property after obtaining consents from the mortgagee during the mortgage period;
- (xi) Zhengzhou Powerlong has obtained the Pre-sale Permit for the pre-sold portions and has the right to pre-sell the same;
- (xii) Zhengzhou Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Zhengzhou Powerlong is still entitled to develop and construct such portions of the property before delivery;
- (xiii) except for the aforesaid mortgaged portions, the pre-sold portions and the leased portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
- (xiv) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Zhengzhou Powerlong has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																	
8. Qingdao Powerlong City Plaza, Chengyang District, Qingdao, Shandong Province, PRC	The property under consideration is known as Qingdao Powerlong City Plaza (the “Proposed Development”) and erected on 2 parcels of land with a total site area of approximately 319,808.00 sq.m. (3,442,413 sq.ft.). The Proposed Development is planned to be developed into a large-scale residential/commercial development with an indoor theme park and is scheduled to be developed in 2 phases. As planned, Phase I of the property will provide a 3-storey (plus basement) shopping mall incorporated with a theme park, a 5-star hotel and serviced apartments whilst Phase II of the property will comprise residential units and villas as well as some commercial units. The construction works of Phase I and Phase II were commenced in April 2007 and are scheduled to be completed in May 2010. Upon completion, the gross floor area of the property will be approximately 558,079.98 sq.m. (6,007,173 sq.ft.) plus 3,364 car parking spaces with a total gross floor area of approximately 147,445.74 sq.m. (1,587,106 sq.ft.). The breakdown areas of the property are listed as follows: <table><tr><th rowspan="2">Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Commercial Hotel with ancillary facilities</td><td>329,394.60</td><td>3,545,603</td></tr><tr><td>Residential</td><td>39,711.33</td><td>427,453</td></tr><tr><td></td><td><u>188,974.05</u></td><td><u>2,034,117</u></td></tr><tr><td>Total</td><td><u>558,079.98</u></td><td><u>6,007,173</u></td></tr></table> The land use rights of the property have been granted for terms of 40 years and 70 years expiring on 17 July 2046 and 17 July 2076 for commercial services and residential uses respectively.	Usage	Approximate gross floor area		sq.m.	sq.ft.	Commercial Hotel with ancillary facilities	329,394.60	3,545,603	Residential	39,711.33	427,453		<u>188,974.05</u>	<u>2,034,117</u>	Total	<u>558,079.98</u>	<u>6,007,173</u>	The property is under construction.	Rmb 3,990,000,000 (100% interest attributable to the Group: Rmb 3,990,000,000)
Usage	Approximate gross floor area																			
	sq.m.	sq.ft.																		
Commercial Hotel with ancillary facilities	329,394.60	3,545,603																		
Residential	39,711.33	427,453																		
	<u>188,974.05</u>	<u>2,034,117</u>																		
Total	<u>558,079.98</u>	<u>6,007,173</u>																		

APPENDIX IV

PROPERTY VALUATION

Notes:

1. Pursuant to a State-owned Land Use Certificate — Cheng Guo Yong (2006) Zi No. 288, the land use rights of portion of the property with a site area of approximately 206,247.00 sq.m. have been granted to Powerlong Group (Qingdao) Property Development Co., Ltd. (“Qingdao Powerlong”) for a term expiring on 17 July 2046 for commercial services uses.
2. Pursuant to a State-owned Land Use Certificate — Qing Fang Di Quan Shi Zi No. 20082469, the land use rights of portion of the property with a site area of approximately 113,561.00 sq.m. have been granted to Qingdao Powerlong for a term commencing on 18 July 2006 and expiring on 17 July 2076 for residential uses.
3. Pursuant to 2 construction land planning permits — Qing Gui Cheng Yong Di Zi (2006) No. 35 and Qing Gui Cheng Yong Di Zi (2007) No. 9, planned construction works of the property with a total site area of approximately 319,808.00 sq.m. are permitted.
4. Pursuant to 4 construction works planning permits — Qing Gui Cheng Jian Guan Zi (2007) No. 30, Qing Gui Cheng Jian Guan Zi (2007) Nos. 40 and 49 and Jian Zi No. 370200200816010, the construction works of the property with a total planned gross floor area of approximately 714,868.60 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
5. Pursuant to 4 construction permits — Qing Cheng Jian Shi Zi 370214200706260101, 370214200707170201, 370214200709180101 and 370214200807010101, the construction works of the property with a total planned gross floor area of approximately 714,868.60 sq.m. are permitted to commence construction.
6. Pursuant to 8 Pre-sale Permits — Qing Fang Zhu Zi (Cheng 07) Nos. 28, 45, 47 and 50, Qing Fang Zhu Zi (07)5 No. 3, Qing Fang Zhu Zi (Cheng 08) Nos. 01 and 42 and Qing Fang Zhu Zi (Cheng 09) No. 26, portions of the property with a total gross floor area of approximately 372,305.43 sq.m. have been approved for pre-sale.
7. As advised by the Group, portions of the property with a total gross floor area of approximately 96,380.00 sq.m. were pre-sold at a total consideration of Rmb 631,994,000 as at 30 June 2009, which has been taken into account in our valuation.
8. As advised by the Group, portions of the property with a total gross floor area of approximately 125,530.00 sq.m. were delivered as at 30 June 2009, we have not taken into account these portions of the property in our valuation.
9. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 381,357,000. In the course of our valuation, we have taken into account the said cost.
10. The capital value of the property as if completed as at 30 June 2009 was Rmb 5,360,000,000.
11. For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 127,105.91 sq.m., which the Group has classified as investment properties for long term investment, as if completed and assuming all the construction costs (including the professional fees and interest costs) have been fully settled as at 30 June 2009 was Rmb 1,783,000,000.

APPENDIX IV

PROPERTY VALUATION

12. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
- (i) the land use rights of the property are legally owned by Qingdao Powerlong. Qingdao Powerlong is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except mortgaged and pre-sold portions;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;
 - (iii) portions of the Proposed Development with a planned gross floor area of approximately 504,912.60 sq.m. and the apportioned land use rights are subject to a mortgage in favour of The Bank of East Asia (China) Ltd., Qingdao Branch for a loan amount of Rmb 250,000,000 whilst the proposed hotel of the Proposed Development with a planned gross floor area of approximately 31,907.00 sq.m. and the apportioned land use rights are subject to a mortgage in favour of Qingdao Chengyang Nongcun Corporation Bank and Qingdao Huafeng Nongcun Corporation Bank for a loan amount of Rmb 80,000,000;
 - (iv) for the portions which are now subject to mortgages, Qingdao Powerlong has the right to transfer, lease, mortgage or dispose of such portions of the property after obtaining consents from the mortgagee during the mortgage period whilst there is no legal impediment for Qingdao Powerlong to transfer, lease, mortgage or dispose of the remaining portion of the property except the pre-sold portions;
 - (v) Qingdao Powerlong has obtained the Pre-sale Permits for the pre-sold portions and has the right to pre-sell the same;
 - (vi) Qingdao Powerlong is not allowed to re-sell the pre-sold portions of the property. However, according to the pre-sale contracts, Qingdao Powerlong is still entitled to develop and construct such portions of the property before delivery;
 - (vii) except for the aforesaid mortgaged portions and the pre-sold portions, the remaining portion of the property is free from any mortgages or other third party encumbrances; and
 - (viii) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Qingdao Powerlong has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																		
9. Phase I of Wuxi Yuqi Powerlong Riverside Garden, Yuqi Town, Huishan District, Wuxi, Jiangsu Province, PRC	The property under consideration is known as Wuxi Yuqi Powerlong Riverside Garden (the "Proposed Development") and erected on 4 parcels of land with a total site area of approximately 64,809.90 sq.m. (697,614 sq.ft.). The Proposed Development is planned to be developed into a residential/ commercial development. Upon completion, the total gross floor area of the property will be approximately 108,566.05 sq.m. (1,168,606 sq.ft.) plus 555 car parking spaces with a total gross floor area of approximately 19,538.62 sq.m. (210,314 sq.ft.), the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Office</td><td>26,457.87</td><td>284,793</td></tr><tr><td>Residential</td><td>53,633.48</td><td>577,311</td></tr><tr><td>Commercial</td><td><u>28,474.70</u></td><td><u>306,502</u></td></tr><tr><td>Total</td><td><u>108,566.05</u></td><td><u>1,168,606</u></td></tr></table>	Usage	Approximate gross floor area			sq.m.	sq.ft.	Office	26,457.87	284,793	Residential	53,633.48	577,311	Commercial	<u>28,474.70</u>	<u>306,502</u>	Total	<u>108,566.05</u>	<u>1,168,606</u>	The property is under construction.	Rmb 433,000,000 (100% interest attributable to the Group: Rmb 433,000,000)
Usage	Approximate gross floor area																				
	sq.m.	sq.ft.																			
Office	26,457.87	284,793																			
Residential	53,633.48	577,311																			
Commercial	<u>28,474.70</u>	<u>306,502</u>																			
Total	<u>108,566.05</u>	<u>1,168,606</u>																			
The construction works of the property were commenced in October 2007 and are scheduled to be completed in September 2009. Out of the 4 parcels of land of the property, the land use rights of 2 parcels of land with a total site area of approximately 17,944.50 sq.m. have been granted for terms of 40 years and 50 years expiring on 4 December 2046 and 4 December 2056 for commercial and other uses respectively whilst the land use rights of the remaining 2 parcels of land with a total site area of approximately 46,865.40 sq.m. have been granted for terms of 40 years, 50 years and 70 years expiring on 4 December 2046, 4 December 2056 and 4 December 2076 for commercial, others and residential uses respectively.																					

APPENDIX IV

PROPERTY VALUATION

Notes:

1. Pursuant to 4 State-owned Land Use Certificates — Xi Hui Guo Yong (2007) Nos. 1115 to 1118, the land use rights of the property with a total site area of 64,809.90 sq.m. have been granted to Wuxi Yuqi Powerlong Property Co., Ltd. (“Wuxi Yuqi”), which is a wholly owned subsidiary of the Company, for terms of 40 years, 50 years and 70 years expiring on 4 December 2046, 4 December 2056 and 4 December 2076 for commercial, others and residential uses respectively.
2. Pursuant to a construction land planning permit — Xi Gui Hui Di Xu (2007) No. 052, planned construction works of the property with a total site area of 64,900.00 sq.m. are permitted.
3. Pursuant to 4 construction works planning permits — Xi Gui Hui Jian Xu (2007) Nos. 228, 229, 230 and 237, the construction works of the property with a total planned gross floor area of approximately 129,910.00 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
4. Pursuant to 2 construction permits Nos. 3202062007122500001A and 3202062007122500002A, the construction works of the property with a total planned gross floor area of approximately 129,910.00 sq.m. are permitted to commence construction.
5. Pursuant to a Pre-sale Permit — (2008) Hui Yu Xiao Zhun Zi No.12, portions of the property with a total gross floor area of approximately 108,943.00 sq.m. have been approved for pre-sale.
6. As advised by the Group, portions of the property with a total gross floor area of approximately 66,189.00 sq.m. were pre-sold at a total consideration of Rmb 260,311,000 as at 30 June 2009, which has been taken into account in our valuation.
7. As advised by the Group, the outstanding construction cost to be spent to complete the property as at 30 June 2009 was approximately Rmb 29,536,000. In the course of our valuation, we have taken into account the said cost.
8. The capital value of the property as if completed as at 30 June 2009 was Rmb 513,000,000.
9. For reference purposes, the capital value of portions of the property with a total gross floor area of approximately 8,086.70 sq.m., which the Group has classified as investment properties for long term investment, as if completed and assuming all the construction costs (including the professional fees and interest costs) have been fully settled as at 30 June 2009 was Rmb 60,400,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Wuxi Yuqi. Wuxi Yuqi is entitled to use and occupy and to legally own the land use rights of the property and the buildings legally erected thereon, and is entitled to transfer, lease, mortgage or dispose of the land use rights of the property and the buildings legally erected thereon except the mortgaged portions;
 - (ii) portions of the Proposed Development with a total site area of approximately 156,572.50 sq.m. and the buildings/structures erected thereon are subject to 2 mortgages in favour of Agricultural Bank of China, Wuxi Xishan Branch for a total loan amount of Rmb 200,000,000 whilst another portions of the Proposed Development with a gross floor area of approximately 55,886.00 sq.m. are subject to a mortgage in favour of China CITIC Bank Corporation Limited, Xiamen Branch for a loan amount of Rmb 80,000,000;
 - (iii) for the portions which are now subject to a mortgage, Wuxi Yuqi has the rights to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagee during the mortgage period;

APPENDIX IV

PROPERTY VALUATION

- (iv) all land premium has been paid in full and there is no requirement for payment of further land premium;
- (v) Wuxi Yuqi has obtained the Pre-sale Permit for part of the property and has the right to pre-sell the same;
- (vi) except for the aforesaid mortgaged portions, the property is free from any mortgages or other third party encumbrances; and
- (vii) all necessary authorizations and permits have been obtained in respect of the construction works of the property. Wuxi Yuqi has the legal and complete right to develop the property.

APPENDIX IV

PROPERTY VALUATION

Group III — Property interests held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																		
10. Phase II of Suzhou Taicang Powerlong City Plaza, Taicang, Suzhou, Jiangsu Province, PRC	The property comprises a parcel of land for the development of phase II of Suzhou Taicang Powerlong City Plaza (the “Proposed Development”) with a site area of approximately 12,634.40 sq.m. (135,997 sq.ft.). The Proposed Development is planned to be developed into a residential/ commercial development. Upon completion, the total gross floor area of the property will be approximately 50,014.50 sq.m. (538,355 sq.ft.) plus a total gross floor area of approximately 4,208.00 sq.m. (45,295 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>14,079.00</td><td>151,546</td></tr><tr><td>Commercial</td><td>12,516.00</td><td>134,722</td></tr><tr><td>Office</td><td><u>23,419.50</u></td><td><u>252,087</u></td></tr><tr><td>Total</td><td><u>50,014.50</u></td><td><u>538,355</u></td></tr></table> The construction works of the property are planned to be commenced in May 2010 and are scheduled to be completed in December 2011. The land use rights of the property have been granted for terms of 40 years and 70 years expiring on 15 November 2047 and 15 November 2077 for commercial and residential uses respectively.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	14,079.00	151,546	Commercial	12,516.00	134,722	Office	<u>23,419.50</u>	<u>252,087</u>	Total	<u>50,014.50</u>	<u>538,355</u>	The property is a bare site.	Rmb 157,900,000 (100% interest attributable to the Group: Rmb 157,900,000)
Usage	Approximate gross floor area																				
	sq.m.	sq.ft.																			
Residential	14,079.00	151,546																			
Commercial	12,516.00	134,722																			
Office	<u>23,419.50</u>	<u>252,087</u>																			
Total	<u>50,014.50</u>	<u>538,355</u>																			

Notes:

- Pursuant to a State-owned Land Use Certificate — Tai Guo Yong (2007) No. 2015914, the land use rights of the property with a site area of approximately 12,634.40 sq.m. have been granted to Suzhou Powerlong Property Development Co., Ltd. ("Suzhou Powerlong"), which is a wholly owned subsidiary of the Company, for terms of 40 years and 70 years expiring on 15 November 2047 and 15 November 2077 for commercial and residential uses respectively.

APPENDIX IV

PROPERTY VALUATION

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Suzhou Powerlong. Suzhou Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of the property;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium; and
 - (iii) the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009															
11. Portion of Phase I and Phase II of Luoyang Powerlong City Plaza, Luoyang, Henan Province, PRC	The property comprises 4 parcels of land for the development of portion of Phase I and Phase II (also known as Districts A, B, C and F) of Luoyang Powerlong City Plaza (the “Proposed Development”) with a total site area of approximately 240,364.80 sq.m. (2,587,287 sq.ft.). The Proposed Development is planned to be developed into a residential/ commercial development comprising hardware and construction material markets. Upon completion, the total gross floor area of the property will be approximately 447,383.00 sq.m. (4,815,631 sq.ft.) plus a total gross floor area of approximately 55,322.00 sq.m. (595,486 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>299,568.00</td><td>3,224,550</td></tr><tr><td>Commercial</td><td><u>147,815.00</u></td><td><u>1,591,081</u></td></tr><tr><td>Total</td><td><u>447,383.00</u></td><td><u>4,815,631</u></td></tr></table> The construction works of the property are planned to be commenced in March 2010 and are scheduled to be completed in December 2012. The land use rights of the property have been granted for terms of 40 years and 70 years expiring on 1 February 2046 and 1 February 2076 for commercial and residential uses respectively.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	299,568.00	3,224,550	Commercial	<u>147,815.00</u>	<u>1,591,081</u>	Total	<u>447,383.00</u>	<u>4,815,631</u>	The property is a bare site.	Rmb 1,161,000,000 (100% interest attributable to the Group: Rmb 1,161,000,000) (see Note 6)
Usage	Approximate gross floor area																	
	sq.m.	sq.ft.																
Residential	299,568.00	3,224,550																
Commercial	<u>147,815.00</u>	<u>1,591,081</u>																
Total	<u>447,383.00</u>	<u>4,815,631</u>																

Notes:

- Pursuant to 4 State-owned Land Use Certificates — Luo Shi Guo Yong (2006) Nos. 05001233 and 05001564, Luo Shi Guo Yong (2007) Nos. 05000288 and 05000289, the land use rights of the property with a total site area of approximately 240,364.80 sq.m. have been granted to Luoyang Powerlong Property Development Company Limited ("Luoyang Powerlong"), which is a wholly owned subsidiary of the Company, for terms of 40 years and 70 years expiring on 1 February 2046 and 1 February 2076 for commercial and residential uses respectively.
- Pursuant to a construction land planning permit — Luo Cheng Gui Zheng Zi (2006) No. 052, planned construction works of Luoyang Powerlong City Plaza with a total site area of approximately 543,301.643 sq.m. (including 187,694.201 sq.m. for public roads) are permitted.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to 6 construction works planning permits — Luo Cheng Gui Zheng (2006) Nos. 841 to 845 and No. 2007064, the construction works of Phase I of Luoyang Powerlong City Plaza with a total planned gross floor area of approximately 449,186.00 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
4. Pursuant to a construction permit No. 2007005, construction works of portion of the property are approved.
5. Pursuant to a Pre-sale Permit — Luo Fong Shi Shang Yu Zi No. 07–12, portion of the property with a gross floor area of approximately 68,887.00 sq.m. has been approved for pre-sale.
6. As advised by the Group, an outstanding land premium of the 6 parcels of land of the Proposed Development as at 30 June 2009 with an amount of approximately Rmb 89,599,964 has not been paid and Luoyang Powerlong expects that such outstanding land premium will be fully settled on or before 2 February 2011. In the course of our valuation, we have not taken into account the said land premium and have assumed that the land premium for this property has been fully paid.
7. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of the property are legally owned by Luoyang Powerlong. Luoyang Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of the property except the mortgaged portions;
 - (ii) the land premium of the Proposed Development has not been paid in full. As at 30 June 2009, the outstanding land premium of the Proposed Development was approximately Rmb 89,599,964;
 - (iii) portions of the property with a site area of approximately 72,108.60 sq.m. are subject to a mortgage in favour of Fujian Qinqin Investment Co., Ltd. (福建親親投資有限公司) for a loan amount of Rmb 50,000,000;
 - (iv) for the portions which are now subject to mortgages, Luoyang Powerlong has the rights to transfer, lease, mortgage, or dispose of such portions of the property after obtaining consents from the mortgagees during the mortgage period; and
 - (v) except for the aforesaid mortgaged portions, the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009															
12. Phase II of Wuxi Yuqi Powerlong Riverside Garden, Yuqi Town, Wuxi, Jiangsu Province, PRC	The property comprises 4 parcels of land for the development of Phase II of Wuxi Yuqi Powerlong Riverside Garden (the “Proposed Development”) with a total site area of approximately 147,648.60 sq.m. (1,589,290 sq.ft.). The Proposed Development is planned to be developed into a residential/ commercial development. Upon completion, the total gross floor area of the property will be approximately 238,316.00 sq.m. (2,565,233 sq.ft.) plus a total gross floor area of approximately 24,612.00 sq.m. (264,924 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>232,105.00</td><td>2,498,378</td></tr><tr><td>Commercial</td><td>6,211.00</td><td>66,855</td></tr><tr><td>Total</td><td><u>238,316.00</u></td><td><u>2,565,233</u></td></tr></table> The construction works of the property are planned to be commenced in August 2010 and are scheduled to be completed in August 2012. The land use rights of the property have been granted for terms of 40 years and 70 years expiring on 4 December 2046 and 4 December 2076 for commercial and residential uses respectively.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	232,105.00	2,498,378	Commercial	6,211.00	66,855	Total	<u>238,316.00</u>	<u>2,565,233</u>	The property is a bare site.	Rmb 334,000,000 (100% interest attributable to the Group: Rmb 334,000,000)
Usage	Approximate gross floor area																	
	sq.m.	sq.ft.																
Residential	232,105.00	2,498,378																
Commercial	6,211.00	66,855																
Total	<u>238,316.00</u>	<u>2,565,233</u>																

Notes:

- Pursuant to 4 State-owned Land Use Certificates — Xi Hui Guo Yong (2008) Nos. 1048 to 1051, the land use rights of the property with a total site area of approximately 147,648.60 sq.m. have been granted to Wuxi Yuqi Powerlong Property Co., Ltd. ("Wuxi Yuqi"), which is a wholly owned subsidiary of the Company, for terms of 40 years and 70 years expiring on 4 December 2046 and 4 December 2076 for commercial and residential uses respectively.
- Pursuant to 2 construction land planning permits — Xi Gui Hui Di Xu (2007) Nos. 117 and 118, planned construction works of the property with a total site area of approximately 147,600.00 sq.m. are permitted.

APPENDIX IV

PROPERTY VALUATION

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
- (i) Wuxi Yuqi has the rights to transfer, lease, mortgage, or dispose of the property after obtaining consents from the mortgagees during the mortgage period;
 - (ii) all land premium has been paid in full and there is no requirement for payment of further land premium;
 - (iii) portions of the Proposed Development with a total site area of approximately 156,572.50 sq.m. and the buildings/structures erected thereon are subject to 2 mortgages in favour of Agricultural Bank of China, Wuxi Xishan Branch for a total loan amount of Rmb 200,000,000 whilst another portions of the Proposed Development with a gross floor area of approximately 55,886.00 sq.m. are subject to a mortgage in favour of China CITIC Bank Corporation Limited, Xiamen Branch for a loan amount of Rmb 80,000,000;
 - (iv) for the portions which are now subject to a mortgage, Wuxi Yuqi has the rights to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagee during the mortgage period; and
 - (v) except for the aforesaid mortgaged portion, the Property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																		
13. A site located at Haiyang County, Yantai, Shandong Province, PRC	The property comprises 3 parcels of land with a total site area of approximately 668,249.33 sq.m. (7,193,036 sq.ft.). The property is planned to be developed into a residential/commercial development with other parcels of land. Upon completion, the total planned gross floor area of the property will be approximately 930,000.00 sq.m. (10,010,520 sq.ft.) plus a total gross floor area of approximately 20,472.00 sq.m. (220,361 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><th></th><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>630,000.00</td><td>6,781,320</td></tr><tr><td>Commercial</td><td>265,000.00</td><td>2,852,460</td></tr><tr><td>Hotel with ancillary facilities</td><td>35,000.00</td><td>376,740</td></tr><tr><td>Total</td><td>930,000.00</td><td>10,010,520</td></tr></table>	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	630,000.00	6,781,320	Commercial	265,000.00	2,852,460	Hotel with ancillary facilities	35,000.00	376,740	Total	930,000.00	10,010,520	The property is a bare site.	Rmb 1,021,000,000 (100% interest attributable to the Group: Rmb 1,021,000,000) (see Note 2)
Usage	Approximate gross floor area																				
	sq.m.	sq.ft.																			
Residential	630,000.00	6,781,320																			
Commercial	265,000.00	2,852,460																			
Hotel with ancillary facilities	35,000.00	376,740																			
Total	930,000.00	10,010,520																			
The construction works of the property are planned to be commenced in November 2010 and are scheduled to be completed in September 2012. The land use rights of the property have been granted for terms of 40 years expiring on 24 January 2048 for commercial, tourism and entertainment uses.																					

Notes:

- Pursuant to 2 Contracts for Grant of State-owned Land Use Rights — Hai Tu Gua He Zi 2007 Nos. 30 and 31 and their supplementary agreements entered into between Haiyang State-owned Land Use Resource Bureau and Yantai Powerlong Real Estate Co., Ltd. ("Yantai Powerlong"), the land use rights of the property with a total site area of 668,249.33 sq.m. have been granted to Yantai Powerlong at a total land premium of Rmb 180,427,319 for terms of 40 and 70 years for residential, commercial, tourism and entertainment uses respectively.
- As advised by the Group, an outstanding land premium of the property as at 30 June 2009 with an amount of Rmb 45,449,000 has not been paid. In the course of our valuation, we have not taken into account the said land premium and have assumed that the land premium for this property has been fully paid.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to 3 State-owned Land Use Certificates — Hai Guo Yong (2008) Nos. 668 to 670, the land use rights of 3 parcels of land with a total site area of approximately 427,392.01 sq.m. have been granted to Yantai Powerlong, which is a wholly-owned subsidiary of the Company, for terms of 40 years expiring on 24 January 2048 for commercial/tourism/entertainment uses.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisors, which contains, *inter alias*, the following information:
 - (i) the land use rights of portions of the property are legally owned by Yantai Powerlong. Yantai Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of such portions of the property except portions as mentioned in (iii) below;
 - (ii) the land premium of the property has not been paid in full. As at 30 June 2009, the outstanding land premium of the property was approximately Rmb 45,449,000;
 - (iii) portions of the property with a total site area of approximately 199,660.45 sq.m. and buildings/structures erected thereon are subject to a mortgage in favour of China Citic Bank, Xiamen Branch for a loan amount of Rmb 80,000,000;
 - (iv) for the portions which are now subject to mortgages, Yantai Powerlong has the rights to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagees during the mortgage period;
 - (v) there is no legal impediments for Yantai Powerlong to obtain the State-owned Land Use Certificate for the land use rights of the remaining portion of the property after the outstanding land premium has been fully settled on schedule; and
 - (vi) except for the aforesaid mortgaged portions, the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009															
14. A site located at Fuxin District, Suqian, Jiangsu Province, PRC	The property comprises a parcel of land with a total site area of approximately 220,201.00 sq.m. (2,370,244 sq.ft.). The property is planned to be developed into a residential/commercial development with other parcels of land. Upon completion, the total gross floor area of the property will be approximately 454,153.00 sq.m. (4,888,503 sq.ft.) plus a total gross floor area of approximately 63,725.00 sq.m. (685,936 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><th></th><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>246,750.00</td><td>2,656,017</td></tr><tr><td>Commercial</td><td>207,403.00</td><td>2,232,486</td></tr><tr><td>Total</td><td>454,153.00</td><td>4,888,503</td></tr></table> The construction works of the property are planned to be commenced in October 2009 and are scheduled to be completed in July 2012. The land use rights of the property have been granted for terms of 40 years and 70 years and expiring on 20 November 2048 and 20 November 2078 for commercial and residential uses respectively.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	246,750.00	2,656,017	Commercial	207,403.00	2,232,486	Total	454,153.00	4,888,503	The property is a bare site.	Rmb 688,000,000 (100% interest attributable to the Group: Rmb 688,000,000) (see Note 2)
Usage	Approximate gross floor area																	
	sq.m.	sq.ft.																
Residential	246,750.00	2,656,017																
Commercial	207,403.00	2,232,486																
Total	454,153.00	4,888,503																

Notes:

- Pursuant to a Contract for Grant of State-owned Land Use Rights — Su Guo Tu Jing No. (07G-Su Cheng-31-02) and its supplementary agreement entered into between Suqian State-owned Land Resource Bureau of Jiangsu Province, PRC and Suqian Powerlong Property Development Company Limited ("Suqian Powerlong"), the land use rights of the property with a total site area of approximately 220,201.00 sq.m. have been granted to Suqian Powerlong at a land premium of Rmb 388,434,564 for terms of 40 years and 70 years for commercial and residential uses respectively.
- As advised by the Group, an outstanding land premium of the property as at 30 June 2009 with an amount of Rmb 209,499,564 has not been paid. In the course of our valuation, we have not taken into account the said outstanding land premium and have assumed that the land premium for this property has been fully paid.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to a State-owned Land Use Certificate — Su Guo Yong (2008) No. 0154, the land use rights of a parcel of land with a site area of approximately 79,983.00 sq.m. has been granted to Suqian Powerlong for terms of 40 years and 70 years expiring on 20 November 2048 and 20 November 2078 for commercial and residential use respectively.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of portions of the property are legally owned by Suqian Powerlong. Suqian Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of such portions of the property except portions as mentioned in (iii) below;
 - (ii) the land premium of the property has not been paid in full. As at 30 June 2009, the outstanding land premium of the property was approximately Rmb 209,499,564;
 - (iii) portions of the property with a total site area of approximately 79,983.00 sq.m. are subject to a mortgage in favour of Suqian Nongcun Credit Cooperative Association (宿遷市區農村信用合作聯社) for a loan amount of Rmb 50,000,000;
 - (iv) for the portions which are now subject to a mortgage, Suqian Powerlong has the rights to transfer, lease, mortgage, or dispose of such portion of the property after obtaining consents from the mortgagees during the mortgage period;
 - (v) there is no legal impediments for Suqian Powerlong to obtain the State-owned Land Use Certificate for the land use rights of the remaining portions of the property after the outstanding land premium has been fully settled on schedule; and
 - (vi) except for the aforesaid mortgaged portions, the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																					
15. A site located at Youyi Road, Xinxiang, Henan Province, PRC	The property comprises 2 parcels of land with a total site area of approximately 299,980.49 sq.m. (3,228,990 sq.ft.). The property is planned to be developed into a residential/commercial development with other parcels of land. Upon completion, the total gross floor area of the property will be approximately 720,000.00 sq.m. (7,750,080 sq.ft.) plus a total gross floor area of approximately 80,000.00 sq.m. (861,120 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>470,000.00</td><td>5,059,080</td></tr><tr><td>Commercial</td><td>180,000.00</td><td>1,937,520</td></tr><tr><td>Office</td><td>60,000.00</td><td>645,840</td></tr><tr><td>Hotel</td><td>10,000</td><td>107,640</td></tr><tr><td>Total</td><td>720,000.00</td><td>7,750,080</td></tr></table>	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	470,000.00	5,059,080	Commercial	180,000.00	1,937,520	Office	60,000.00	645,840	Hotel	10,000	107,640	Total	720,000.00	7,750,080	The property is a bare site.	Rmb 1,025,000,000 (100% interest attributable to the Group: Rmb 1,025,000,000) (see Note 2)
Usage	Approximate gross floor area																							
	sq.m.	sq.ft.																						
Residential	470,000.00	5,059,080																						
Commercial	180,000.00	1,937,520																						
Office	60,000.00	645,840																						
Hotel	10,000	107,640																						
Total	720,000.00	7,750,080																						
The construction works of the property are planned to be commenced in November 2009 and are scheduled to be completed in September 2012. The land use rights of the property have been granted for terms of 40 years and 70 years and expiring on 7 January 2048 and 7 January 2078 for commercial and residential uses respectively.																								

Notes:

- Pursuant to a Contract for Grant of State-owned Land Use Rights No. 2007-92 Gua, its 3 Supplemental Agreements and its modification agreement entered into between Xinxiang State-owned Land Resource Bureau and Xinxiang Powerlong Real Estate Development Co., Ltd. ("Xinxiang Powerlong"), the land use rights of the property with a total site area of approximately 299,980.49 sq.m. have been granted to Xinxiang Powerlong at a land premium of Rmb 269,982,441 for terms of 70 years and 40 years for residential and commercial uses respectively.
- As advised by the Group, an outstanding land premium of the property as at 30 June 2009 with an amount of Rmb 132,984,197 has not been paid. In the course of our valuation, we have not taken into account the said outstanding land premium and have assumed that the land premium for this property has been fully paid.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to a State-owned Land Use Certificate — Xin Guo Yong (2008) No. (02) 013, the land use rights of a parcel of land with a total site area of approximately 106,666.80 sq.m. has been granted to Xinxiang Powerlong, which is a wholly-owned subsidiary of the Company, for terms of 40 years and 70 years expiring on 7 January 2048 and 7 January 2078 for commercial and residential uses respectively.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of portions of the property are legally owned by Xinxiang Powerlong. Xinxiang Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of such portions of the property;
 - (ii) the land premium of the property has not been paid in full. As of 30 June 2009, the outstanding land premium of the property was approximately Rmb 132,984,197;
 - (iii) there is no legal impediments for Xinxiang Powerlong to obtain the State-owned Land Use Certificate for the land use rights of the remaining portions of the property after the outstanding land premium has been fully settled on schedule; and
 - (iv) the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																					
16. A site located at Qingnian Road South, Yancheng, Jiangsu Province, PRC	The property comprises 2 parcels of land with a total site area of approximately 221,184.00 sq.m. (2,380,825 sq.ft.). The property is planned to be developed into a residential/commercial development with other parcels of land. Upon completion, the total gross floor area of the property will be approximately 409,952.00 sq.m. (4,412,722 sq.ft.) plus a total gross floor area of approximately 78,054.00 sq.m. (840,173 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>215,766.00</td><td>2,322,505</td></tr><tr><td>Commercial</td><td>181,867.00</td><td>1,957,616</td></tr><tr><td>Hotel</td><td>10,677.00</td><td>114,927</td></tr><tr><td>Facilities</td><td>1,642.00</td><td>17,674</td></tr><tr><td>Total</td><td>409,952.00</td><td>4,412,722</td></tr></table>	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	215,766.00	2,322,505	Commercial	181,867.00	1,957,616	Hotel	10,677.00	114,927	Facilities	1,642.00	17,674	Total	409,952.00	4,412,722	The property is a bare site.	Rmb 870,000,000 (100% interest attributable to the Group: Rmb 870,000,000) (see Note 2)
Usage	Approximate gross floor area																							
	sq.m.	sq.ft.																						
Residential	215,766.00	2,322,505																						
Commercial	181,867.00	1,957,616																						
Hotel	10,677.00	114,927																						
Facilities	1,642.00	17,674																						
Total	409,952.00	4,412,722																						
The construction works of the property are planned to be commenced in October 2009 and are scheduled to be completed in April 2012. The land use rights of the property have been granted for terms of 40 years and 70 years and expiring on 30 September 2048 and 30 September 2078 for commercial services (commercial, office, hotel) and residential (apartment) uses respectively.																								

Notes:

- Pursuant to a Contract for Grant of State-owned Land Use Rights — Yan Shi Guo Tu He Zi (2008) No. 5 and 2 supplemental agreements entered into between Yancheng State-owned Land Resource Bureau (the "Grantor"), Fuzhou Powerlong Real Estate Development Co., Ltd. and Powerlong Real Estate (Hong Kong) Holdings Limited (the "Original Grantees") and its Supplemental Agreement entered into between the Grantor, the Original Grantees and Yancheng Powerlong Real Estate Development Co., Ltd. ("Yancheng Powerlong"), the land use rights of the property with a site area of 221,184.00 sq.m. have been granted to Yancheng Powerlong at a land premium of Rmb 437,944,320 for terms of 40 years and 70 years for commercial services (commercial, office, hotel) and residential (apartment) uses respectively.
- As advised by the Group, an outstanding land premium of the property as at 30 June 2009 with an amount of Rmb 262,744,320 has not been paid. In the course of our valuation, we have not taken into account the said land premium and have assumed that the land premium for this property has been fully paid.

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to a State-owned Land Use Certificate Yan Guo Yang (2009) No. 605188, the land use right of the property with a site area of approximately 86,665.30 sq.m. have been granted to Yanchang Powerlong for terms of 40 years and 70 years expiring on 30 September 2048 and 30 September 2078 for commercial services (commercial, office, hotel) and residential (apartment) uses respectively.
4. Pursuant to 3 construction works planning permits — Jian Zi Nos. 320901200950163–320901200950165, the construction works of the property with a total planned gross floor area of approximately 32,603.00 sq.m. are in compliance with the requirements of urban construction and are approved to be built.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of portions of the property are legally owned by Yancheng Powerlong. Yancheng Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of such portions of the property;
 - (ii) the land premium of the property has not been paid in full. As of 30 June 2009, the outstanding land premium of the property was approximately Rmb 262,744,320;
 - (iii) there is no legal impediments for Yancheng Powerlong to obtain the State-owned Land Use Certificate for the land use rights of the remaining portions of the property after the outstanding land premium has been fully settled on schedule; and
 - (iv) the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																					
17. A site located at South of Qingfeng Park, Changzhou, Jiangou Province, PRC	The property comprises 2 parcels of land with a total site area of approximately 270,120.00 sq.m. (2,907,572 sq.ft.). The property is planned to be developed into a residential/commercial development with other parcels of land. Upon completion, the total gross floor area of the property will be approximately 700,700.00 sq.m. (7,542,355 sq.ft.) plus a total gross floor area of approximately 80,000.00 sq.m. (861,120 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>486,000.00</td><td>5,231,304</td></tr><tr><td>Commercial</td><td>159,000.00</td><td>1,711,476</td></tr><tr><td>Office</td><td>47,000.00</td><td>505,908</td></tr><tr><td>Hotel</td><td>8,700.00</td><td>93,647</td></tr><tr><td>Total</td><td>700,700.00</td><td>7,542,335</td></tr></table> The construction works of the property are planned to be commenced in December 2009 and are scheduled to be completed in December 2013. The land use rights of the property have been granted for terms of 40 years and 70 years and expiring on 30 July 2048 and 30 July 2078 for commercial/office and residential uses respectively.	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	486,000.00	5,231,304	Commercial	159,000.00	1,711,476	Office	47,000.00	505,908	Hotel	8,700.00	93,647	Total	700,700.00	7,542,335	The property is a bare site.	Rmb 725,000,000 (100% interest attributable to the Group: Rmb 725,000,000)
Usage	Approximate gross floor area																							
	sq.m.	sq.ft.																						
Residential	486,000.00	5,231,304																						
Commercial	159,000.00	1,711,476																						
Office	47,000.00	505,908																						
Hotel	8,700.00	93,647																						
Total	700,700.00	7,542,335																						

Notes:

- Pursuant to a Contract for Grant of State-owned Land Use Rights — Chang Guo Yong 2008 Chu Zi No. 087 and its supplementary agreement entered into between Changzhou State-owned Land Resource Bureau and Changzhou Powerlong Property Development Company Limited ("Changzhou Powerlong"), the land use rights of the property with a site area of approximately 270,120.00 sq.m. have been granted to Changzhou Powerlong at a land premium of Rmb 43,500,000 for terms of 40 years and 70 years for commercial/office and residential uses respectively.
- Pursuant to 2 State-owned Land Use Certificates — Chang Guo Yong (2009) Nos. 0319119 and 0319148, the land use rights of the property with a total site area of approximately 170,245.00 sq.m. have been granted to Changzhou Powerlong for terms of 40 years and 70 years and expiring on 30 July 2048 and 30 July 2078 for commercial and residential use respectively.

APPENDIX IV

PROPERTY VALUATION

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - (i) the land use rights of portions of the property are legally owned by Changzhou Powerlong. Changzhou Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of such portions of the property;
 - (ii) the land premium has been paid in full and there is no legal impediments for Changzhou Powerlong to obtain the State-owned Land Use Certificate for the land use rights of the remaining portions of the property; and
 - (iii) the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2009																		
18. A site located at Licang District, Qingdao, Shandong Province, PRC	The property comprises a parcel of land with a site area of approximately 107,150.20 sq.m. (1,153,365 sq.ft.). The property is planned to be developed into a residential/commercial development. Upon completion, the total gross floor area of the property will be approximately 278,044.00 sq.m. (2,992,866 sq.ft.) plus a total gross floor area of approximately 85,620.00 sq.m. (921,614 sq.ft.) for car parking spaces, the breakdown of which is as follows: <table><tr><th>Usage</th><th colspan="2">Approximate gross floor area</th></tr><tr><th></th><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Residential</td><td>135,014.00</td><td>1,453,291</td></tr><tr><td>Commercial</td><td>136,556.00</td><td>1,469,889</td></tr><tr><td>Hotel</td><td><u>6,474.00</u></td><td><u>69,686</u></td></tr><tr><td>Total</td><td><u>278,044.00</u></td><td><u>2,992,866</u></td></tr></table>	Usage	Approximate gross floor area			sq.m.	sq.ft.	Residential	135,014.00	1,453,291	Commercial	136,556.00	1,469,889	Hotel	<u>6,474.00</u>	<u>69,686</u>	Total	<u>278,044.00</u>	<u>2,992,866</u>	The property is a bare site.	Rmb 931,000,000 (100% interest attributable to the Group: Rmb 931,000,000) (see Note 2)
Usage	Approximate gross floor area																				
	sq.m.	sq.ft.																			
Residential	135,014.00	1,453,291																			
Commercial	136,556.00	1,469,889																			
Hotel	<u>6,474.00</u>	<u>69,686</u>																			
Total	<u>278,044.00</u>	<u>2,992,866</u>																			
	The construction works of the property are planned to be commenced in October 2009 and are scheduled to be completed in December 2011. The land use rights of the property have been granted for terms of 40 years and 70 years for commercial services and residential uses respectively.																				

Notes:

- Pursuant to a Contract for Grant of State-owned Land Use Rights — Qing Tu Zi Fang He (2008) No. 6 entered into between Qingdao State-owned Land Resource Bureau (the "Grantor") and Fuzhou Powerlong Real Estate Development Co., Ltd. ("Fuzhou Powerlong"), and its modification agreement and 2 Supplemental Agreements entered into between the Grantor and Qingdao Powerlong Real Estate Development Co., Ltd. ("Qingdao Licang Powerlong"), the land use rights of the property with a site area of approximately 107,150.20 sq.m. have been granted to Qingdao Licang Powerlong at a land premium of Rmb 437,386,300 for terms of 40 years and 70 years for commercial services and residential uses respectively.
- As advised by the Group, an outstanding land premium of the property as at 30 June 2009 with an amount of Rmb 110,585,205 has not been paid. In the course of our valuation, we have not taken into account the said land premium and have assumed that the land premium for this property has been fully paid.
- Pursuant to a State-owned Land Use Certificate Qing Fang Di Quan Shi Zi No. 200956693, the land use rights of the property with a total site area of approximately 70,047.10 sq.m. have been granted to Qingdao Licang Powerlong for terms of 40 and 70 years and expiring on 19 June 2048 and 19 June 2078 for commercial and residential uses respectively.

APPENDIX IV

PROPERTY VALUATION

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
- (i) the land use rights of portion of the property are legally owned by Qingdao Licang Powerlong. Licang Powerlong is entitled to use and occupy and to transfer, lease, mortgage or dispose of the land use rights of such portions of the property;
 - (ii) the land premium of the property has not been paid in full. As at 30 June 2009, the outstanding land premium of the property was approximately Rmb 110,585,205;
 - (iii) there is no legal impediments for Qingdao Licang Powerlong to obtain the State-owned Land Use Certificates for the land use rights of the remaining portions of the property after the outstanding land premium has been fully settled on schedule; and
 - (iv) the property is free from any mortgages or other third party encumbrances.

APPENDIX IV

PROPERTY VALUATION

Group IV — Property interests leased by the Group in the PRC

Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
19. Units Nos. 131 and 386, Shifuer District, Taicang, Suzhou, Jiangsu Province, PRC	The property comprises two residential units of two 9-storey residential buildings completed in about 1998. The property has a total gross floor area of approximately 327.00 sq.m. (3,520 sq.ft.). The property is leased to Suzhou Powerlong from 2 independent third parties for various terms. (Please see Notes 1 to 2 for details).	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered between Chen Fang Ming (陳方明) (the "Lessor"), an independent third party, and Suzhou Powerlong Property Development Co., Ltd. ("Suzhou Powerlong"), which is a wholly owned subsidiary of the Company, Unit No. 131 of the property with a gross floor area of approximately 218.00 sq.m. has been leased to Suzhou Powerlong for a term of 12 months commencing on 8 May 2008 and expiring on 7 May 2009 at an annual rental of Rmb 37,000 exclusive of all outgoings.
- Pursuant to a tenancy agreement entered between Shi Hong Fen (施紅芬) (the "Lessor"), an independent third party, and Suzhou Powerlong, Unit No. 386 of the property has been leased to Suzhou Powerlong for a term of 12 months commencing on 5 June 2008 and expiring on 4 June 2009 at a monthly rental of Rmb 37,000 exclusive of all outgoings.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - each Lessor has not provided us with the relevant Building Ownership Certificate of the property for verification; and
 - the tenancy agreements may be invalid and the rights of Suzhou Powerlong under the tenancy agreements may not be recognized and protected under the PRC laws.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
20.	Unit No. 303 of Block 3 and Unit No. 404 of Block 7, Powerlong City Plaza, Suzhou, Jiangsu Province, PRC	The property comprises 2 residential units of two 7-storey residential buildings completed in 2007. The property has a total gross floor area of approximately 249.00 sq.m. (2,680 sq.ft.). The property is leased to Suzhou Powerlong from 2 independent third parties for various terms. (Please see Notes 1 and 2 for details).	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Li Ping (李萍) (the "Lessor"), an independent third party, and Suzhou Powerlong Property Development Co., Ltd. ("Suzhou Powerlong"), the property with a gross floor area of approximately 120.00 sq.m. has been leased to Suzhou Powerlong for a term of 12 months commencing on 9 February 2009 and expiring on 8 February 2010 at a monthly rental of Rmb 1,000.
- Pursuant to a tenancy agreement entered into between Lu Yuan Juan (陸蘊娟) (the "Lessor"), an independent third party, and Suzhou Powerlong, the property with a gross floor area of approximately 129.00 sq.m. has been leased to Suzhou Powerlong for a term of 12 months commencing on 1 June 2009 and expiring on 31 May 2010 at a monthly rental of Rmb 1,900.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - each Lessor has obtained the Building Ownership Certificate of the relevant property and has the right to lease the property to Suzhou Powerlong;
 - the tenancy agreements are legal, valid and binding on both parties under the PRC laws;
 - the tenancy agreements have not been registered but this will not affect the validity of the tenancy agreements;
 - the property is subject to various mortgages, the Lessors has obtained the relevant consent from the mortgagee under the mortgage for the entering into of the tenancy agreements; and
 - Suzhou Powerlong has the right to use the property for the purpose as prescribed in the tenancy agreements during the terms of the tenancy agreements.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
21. Units Nos. 102 and 202, Unit 1 of Block 12, Nanbei Miya Garden, Bengbu, Anhui Province, PRC	The property comprises 2 residential units on Levels 1 and 2 of an 8-storey residential building completed in 2000. The property has a total gross floor area of approximately 256.22 sq.m. (2,758 sq.ft.). The property is leased to Bengbu Powerlong from 2 independent third parties for various terms. (Please see Notes 1 and 2 for details).	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered between Sun Jun (孫軍) (the "Lessor"), an independent third party, and Bengbu Powerlong Real Estate Co., Ltd. ("Bengbu Powerlong"), which is a wholly owned subsidiary of the Company, Room No. 102 of the property with a gross floor area of approximately 128.11 sq.m. has been leased to Bengbu Powerlong for a term of 2 years commencing on 1 April 2008 and expiring on 31 March 2010 at a monthly rental of Rmb 1,300.
- Pursuant to a tenancy agreement entered between Sun Su Ping (孫素萍) (the "Lessor"), an independent third party, and Bengbu Powerlong, Room No. 202 of the property with a gross floor area of approximately 128.11 sq.m. has been leased to Bengbu Powerlong for a term of 2 years commencing on 1 April 2008 and expiring on 31 March 2010 at a monthly rental of Rmb 1,300.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - each Lessor has obtained the Building Ownership Certificate of the relevant property and has the right to lease the property to Bengbu Powerlong;
 - the tenancy agreements are legal, valid and binding on both parties under the PRC laws;
 - the tenancy agreements have not been registered but this will not affect the validity of the tenancy agreements; and
 - Bengbu Powerlong has the right to use the property for the purpose as prescribed in the tenancy agreements during the terms of the tenancy agreements.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
22. Unit No. 406, Unit 3 of Block 17, Zijing Mingliu, Bengbu, Anhui Province, PRC	The property comprises a residential unit on Level 4 of a 7-storey residential building completed in 2000. The property has a gross floor area of approximately 96.00 sq.m. (1,033 sq.ft.). The property is leased to Bengbu Powerlong from an independent third party for a term of 12 months commencing on 27 October 2008 and expiring on 27 October 2009 at a monthly rental of RMB1,400.	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Xing Guo Yu (邢國玉) (the "Lessor"), an independent third party, and Bengbu Powerlong Real Estate Co., Ltd. ("Bengbu Powerlong"), which is a wholly owned subsidiary of the Company, the property with a gross floor area of approximately 96.00 sq.m. has been leased to Bengbu Powerlong for a term of 12 months commencing on 27 October 2008 and expiring on 27 October 2009 at a monthly rental of Rmb 1,400.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - the Lessor has obtained the Building Ownership Certificate of the property and has the right to lease the property to Bengbu Powerlong;
 - the tenancy agreement is legal, valid and binding on both parties under the PRC laws;
 - the tenancy agreement has not been registered but this will not affect the validity of the tenancy agreement; and
 - Bengbu Powerlong has the right to use the property for the purpose as prescribed in the tenancy agreement during the term of the tenancy agreement.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
23.	17 units on Levels 2 and 3, Powerlong Center Phase II, No. 305 Jiahe Road, Siming District, Xiamen, Fujian Province, PRC	The property comprises 17 commercial units on Levels 2–3 of a 32-storey composite building completed in 2006. The property has a total gross floor area of approximately 6,023.85 sq.m. (64,841 sq.ft.) The property is leased to Fuzhou Powerlong from 2 connected parties for various terms. (Please see Notes 1 and 2 for details).	The property is occupied by the Group for office use.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered between Xiamen Powerlong Information Technology Development Company Limited (廈門寶龍信息產業發展有限公司) (the “Lessor”), a connected party, and Fuzhou Powerlong Real Estate Development Co., Ltd. (“Fuzhou Powerlong”), which is a wholly owned subsidiary of the Company, 9 units on Level 3 of the property with a total gross floor area of approximately 3,093.40 sq.m. has been leased to Fuzhou Powerlong for a term of 2 years commencing on 1 January 2008 and expiring on 31 December 2009 at a monthly rental of Rmb 123,736.
- Pursuant to a tenancy agreement entered between Zhang Hao Yao (張顥耀) and Zhang Ming Xuan (張銘軒) (the “Lessors”), a connected party, and Fuzhou Powerlong, 8 units on Level 2 of the property with a total gross floor area of approximately 2,930.45 sq.m. has been leased to Fuzhou Powerlong for a term of 2 years commencing on 1 January 2008 and expiring on 31 December 2009 at a monthly rental of Rmb 117,218.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - each of the Lessor/Lessors has obtained the relevant Building Ownership Certificate of the property and has the right to lease the property to Fuzhou Powerlong;
 - the tenancy agreements are legal, valid and binding on both parties under the PRC laws;
 - the tenancy agreements have not been registered but this will not affect the validity of the tenancy agreements; and
 - Fuzhou Powerlong has the right to use the property for the purpose as prescribed in the tenancy agreements during the terms of the tenancy agreements.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
24.	Unit No. 602, Unit 4 of Block 10, Haitongyuan Garden, Qingdao, Shandong Province, PRC	The property comprises a residential unit on Level 6 of a 6-storey residential building completed in 2003. The property has a gross floor area of approximately 95.66 sq.m. (1,030 sq.ft.). The property is leased to Qingdao Powerlong from an independent third party for a term of 6 months commencing on 11 April 2009 and expiring on 10 October 2009 at a monthly rental of RMB1,000.	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Ji Feng (姬峰) (the "Lessor"), an independent third party, and Powerlong Group (Qingdao) Property Development Co., Ltd. ("Qingdao Powerlong"), which is a wholly owned subsidiary of the Company, the property with a gross floor area of approximately 95.66 sq.m. has been leased to Qingdao Powerlong for a term of 6 months commencing on 11 April 2009 and expiring on 10 October 2009 at a monthly rental of Rmb 1,000.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
 - the Lessor has obtained the Building Ownership Certificate of the relevant property and has the rights to lease the property to Qingdao Powerlong;
 - the tenancy agreement is legal, valid and binding on both parties under the PRC laws;
 - the tenancy agreement has not been registered but this will not affect the validity of the tenancy agreement; and
 - Qingdao Powerlong has the rights has the rights to use the property for the purpose as prescribed in the tenancy agreement during the term of the tenancy agreement.

APPENDIX IV

PROPERTY VALUATION

Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
25. Unit No. 201, Unit 2 of Block 6, Mingfu Garden, Qingdao, Shandong Province, PRC	The property comprises a residential unit on Level 2 of a 7-storey residential building completed in 2002. The property has a gross floor area of approximately 85.00 sq.m. (915 sq.ft.). The property is leased to Qingdao Powerlong from an independent third party for a term of 6 months commencing on 6 June 2009 and expiring on 6 December 2009 at a monthly rental of RMB7,900.	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Liu Ming Xin (劉明信) (the “Lessor”), an independent third party, and Powerlong Group (Qingdao) Property Development Co., Ltd. (“Qingdao Powerlong”), which is a wholly owned subsidiary of the Company, the property has been leased to Qingdao Powerlong for a term of 6 months commencing on 6 June 2009 and expiring on 6 December 2009 at a monthly rental of Rmb 7,900.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - the Lessor has not provided us with the relevant Building Ownership Certificate of the property for verification; and
 - the tenancy agreement may be invalid and the rights of Qingdao Powerlong under the tenancy agreement may not be recognized and protected under the PRC laws.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
26.	Unit No. 301, Unit 4 of Block 9, Beifeng Residential District, Qingdao, Shandong Province, PRC	The property comprises a residential unit on Level 3 of a 7-storey residential building completed in 2002. The property has a gross floor area of approximately 95.80 sq.m. (1,031 sq.ft.). The property is leased to Qingdao Powerlong from an independent third party for a term of 6 months commencing on 5 June 2009 and expiring on 5 December 2009 at a monthly rental of RMB6,500.	The property is occupied by the Group for dormitory purposes.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Jiang Ai Zheng (江愛珍) (the “Lessor”), an independent third party, and Powerlong Group (Qingdao) Property Development Co., Ltd. (“Qingdao Powerlong”), which is a wholly owned subsidiary of the Company, the property has been leased to Qingdao Powerlong for a term of 6 months commencing on 5 June 2009 and expiring on 5 December 2009 at a monthly rental of Rmb 6,500.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - the Lessor has not provided us with the relevant Building Ownership Certificate of the property for verification; and
 - the tenancy agreement may be invalid and the rights of Qingdao Powerlong under the tenancy agreement may not be recognized and protected under the PRC laws.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 June 2009
27.	Unit No. 401, Unit 1 of Block 14, Shengfu Garden, Qingdao, Shandong Province, PRC	The property comprises a residential unit on Level 4 of a 7-storey residential building completed in 2002. The property has a gross floor area of approximately 100.20 sq.m. (1,079 sq.ft.). The property is leased to Qingdao Powerlong from an independent third party for a term of 6 months commencing on 9 June 2009 and expiring on 9 December 2009 at a monthly rental of RMB8,000.	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

- Pursuant to a tenancy agreement entered into between Wang Ji Qing (王積慶) (the “Lessor”), an independent third party, and Powerlong Group (Qingdao) Property Development Co., Ltd. (“Qingdao Powerlong”), which is a wholly owned subsidiary of the Company, the property has been leased to Qingdao Powerlong for a term of 6 months commencing on 9 June 2009 and expiring on 9 December 2009 at a monthly rental of Rmb 8,000.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisor, which contains, *inter alia*, the following information:
 - the Lessor has not provided us with the relevant Building Ownership Certificate of the property for verification; and
 - the tenancy agreement may be invalid and the rights of Qingdao Powerlong under the tenancy agreement may not be recognized and protected under the PRC laws.

APPENDIX V

TAXATION

The following discussion is a summary of some anticipated tax consequences of our operations and of your investment in our Shares under tax laws of mainland China and Hong Kong. The discussion does not deal with all possible tax consequences relating to our operations or to your investment in our Shares. In particular, the discussion does not address the tax consequences under provincial, local and other (e.g. non-PRC and non-Hong Kong) tax laws. Accordingly, you should consult your tax advisor regarding your particular tax consequences of an investment in our Shares. The following discussion is based upon laws and their interpretations in effect as of the date of this document, all of which are subject to change.

MAINLAND CHINA TAXATION

Because we are not incorporated in mainland China, your investment in our Shares is largely exempt from PRC tax laws. But because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in our Shares.

Dividends from our PRC operations

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the PRC Corporate Income Tax Law and its implementation rules that became effective on January 1, 2008, dividends payable by foreign-invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless such foreign investors’ jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise.

Under the new tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new Enterprise Income Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents as is in our case. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

APPENDIX V

TAXATION

Dividends we pay to you

Because we are not incorporated in mainland China, under the PRC tax laws effective prior to January 1, 2008, even though we had significant operating subsidiaries and joint ventures in mainland China, our distribution of dividends to our overseas investors was not subject to PRC tax. The new PRC Corporate Income Tax Law and its implementation rules, however, impose a withholding tax at the rate of 10% on dividends paid to investors that are “non-resident enterprises,” to the extent such dividends are sourced within China. For such tax purposes, the aforesaid “non-resident enterprises” is defined to include any non-PRC incorporated enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business in China. It is not clear whether you will be subject to such PRC withholding taxes as a result. Due to these new provisions in the PRC tax law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the dividends we pay with respect to our Shares may be treated as income derived from sources within China and be subject to the PRC withholding tax.

Transfer or disposition of our Shares

As we are not incorporated in mainland China, under the PRC tax laws, any transfer or disposition of our Shares by an overseas investor did not trigger PRC tax liabilities. The new PRC Corporate Income Tax Law and its implementation rules, however, impose a withholding tax at the rate of 10% on capital gains realized by investors that are “non-resident enterprises,” to the extent such gains are sourced within China. For such tax purposes, the aforesaid “non-resident enterprises” is defined to include any non-PRC incorporated enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business in China. It is not clear whether you will be subject to such PRC withholding taxes as a result. Any gain realized on the transfer of Shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Due to these new provisions in the PRC tax law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the gain you may realize from the transfer of our Shares, may be treated as income derived from sources within China and be subject to the PRC income tax.

Our operations in mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax. Under the PRC Tentative Regulations on Deed Tax, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

APPENDIX V

TAXATION

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

Corporate Income Tax. Prior to the new Corporate Income Tax Law and its implementation rules that became effective on January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new income tax law, effective from January 1, 2008, a unified corporate income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, with the exception of those enterprises that enjoy preferential tax treatment according to laws and regulations before the new Corporate Income Tax Law became effective. However, there will be a five-year transition period for enterprises enjoying a preferential income tax rate under the prior tax laws and administrative regulations. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10% unless such foreign investors' jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. According to the tax treaty entered into between the PRC and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. However, under the new tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new Corporate Income Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents as is in our case. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Business Tax. Under the PRC Tentative Regulations on Business Tax 《中華人民共和國營業稅暫行條例》 of 1994 and revised on November 10, 2008, services in mainland China are subject to business tax. Taxable services include sale of real property in mainland China. Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

Land Appreciation Tax. Under the PRC Tentative Regulations on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例》 of 1994 and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- payment made to acquire land use rights;
- costs and charges incurred in connection with land development;
- construction costs and charges in the case of newly constructed buildings and facilities;

APPENDIX V

TAXATION

- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is separated into four categories of progressive tax rates, ranging from 30% to 60% of the appreciation value as compared to the “deductible items” as follows:

<u>Appreciation value</u>	<u>LAT rate</u>
Portion not exceeding 50% of deductible items.	30%
Portion over 50% but not more than 100% of deductible items.	40%
Portion over 100% but not more than 200% of deductible items.	50%
Portion over 200% of deductible items.	60%

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties, excluding deluxe apartments, houses, resorts etc.), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state;
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities’ approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the real estate development contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Taxation Bureau, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the

APPENDIX V

TAXATION

time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership title certificates.

The State Taxation Bureau issued a further notice, namely, the Notice on careful management work of LAT collection 《關於認真做好土地增值稅徵收管理工作的通知》 in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

On December 28, 2006, the State Administration of Taxation promulgated the “Circular Concerning the Settlement of the LAT Imposed on Real Property Developers” (the “Circular”).

Pursuant to the Circular, effective from February 1, 2007, a real property developer is to settle the relevant LAT payment of its property development projects with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the authorities and for projects developed in different stages, the LAT shall be settled in stages.

LAT must be paid if a project meets any of the following requirements:

- the property development project has been completed and sold out;
- the entire uncompleted and unsettled development project is transferred; or
- the land-use rights of the relevant project is transferred.

In addition, the competent tax departments may require a property developer to settle the LAT in any of the following circumstances:

- for completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer;
- the project has not been sold out for more than three years after obtaining the sale or pre-sale permits;
- the developer applies for cancelation of the tax registration without having settled the LAT; or
- other conditions stipulated by the provincial tax departments.

The tax bureaus at the provincial level will, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the Circular.

APPENDIX V

TAXATION

On January 30, 2007, the Henan Province Local Taxation Bureau promulgated the "Circular on Forwarding the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" 《河南省地方稅務局關於轉發房地產開發企業土地增值稅清算管理有關問題的通知》, considering the actual conditions of Henan Province, which complementarily provides that:

- for taxpayers transferring land use rights or mainly transferring land use rights (sales prices for buildings accounting for less than 30%), the LAT will be settled by means of audit collection in principal;
- as to deductible items: (i) for a multi-complex building comprising ordinary standard residential housing as well as other houses (luxury houses, commercial complexes, commercial houses and office buildings), the appreciation amount and deductible items will be verified, respectively, according to applicable laws. If the separation of the residential and commercial parts of the multi-complex building is unclear and/or undefined, the residential part of a multi-complex building would not be eligible for the exemption available for ordinary standard residential housing; (ii) where the vouchers or materials relating to (a) the project expenditures at the early stages of the project, (b) construction and fitting expenditures, (c) infrastructure expenditures, and (d) indirect expenditures are non-compliant with the requirements for LAT settlement or untrue, the LAT will be levied by means of verification collection;
- the LAT rate for verification collection: 1.5% for ordinary standard residential housing; 5% for land use rights; 3.5% for other property projects (other than ordinary standard residential housing and land use rights). Transaction incomes of transferring ordinary standard residential housing, luxury houses, commercial complexes, commercial houses and office buildings shall be verified, respectively. If the aforesaid separation calculation would be unfeasible the highest rate shall apply;
- for a property developer who has adopted verification collection means, the verification rate shall be adjusted in accordance with the circular from February 1, 2007, and with respect to the land use rights transaction, the LAT shall be levied by means of audit collection. For a property developer who has adopted audit collection means, the LAT shall be settled according to the circular. From February 1, 2007, the LAT shall be settled or verified on project basis either by means of verification collection or audit collection for property developers; and
- from the implementation of the circular, the adjustment of the LAT collection methods shall be approved by the municipal tax authority directly under the provincial government.

On May 25, 2007, the Jiangsu Province Local Taxation Bureau promulgated the "Circular on Forwarding the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" 《國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知》, which provides that LAT is to be determined at the rate of between 0.5% and 4% depending on the type of property constructed, if LAT can be levied upon deemed income under the stipulations of the Notice.

APPENDIX V

TAXATION

On May 6, 2009, the Jiangsu Province Local Taxation Bureau issued the “Circular on the Further Strengthening of the Settlement of Land Appreciation Tax” 《關於進一步加強土地增值稅清算工作的通知》, which states that the rates used for calculating LAT levied upon deemed income were amended as follows:

- 0.5% to 2% of the income for ordinary standard residential housing constructed by property development enterprises;
- 1% to 4% of the income for ordinary residential housing constructed by property development enterprises;
- 2% to 8% of the income for commercial buildings, office buildings, high-end apartments, resorts and villas constructed by property development enterprises;
- for projects containing ordinary standard residential housing, ordinary residential housing and other commodity housing constructed by property development companies, LAT should be calculated proportionately based on the income derived from different types of properties, otherwise it should be calculated at 2% to 8% of the income.

On June 14, 2007, the Anhui Province Local Taxation Bureau promulgated the “Notice Concerning the Settlement of Land Appreciation Tax” 《關於土地增值稅有關問題的通知》, which states that where a property project contains both ordinary residential housing and non-ordinary residential housing, and where the land appreciation values are not calculated separately or cannot be accurately verified, then LAT is to be determined on the basis of the entire development project (including ordinary residential housing and non-ordinary residential housing).

On July 31, 2007, the Anhui Province Local Taxation Bureau promulgated the “Notice on the Further Clarification of the Prepayment of Land Appreciation Tax” 《關於進一步明確土地增值稅預徵率有關問題的通知》, which states that the prepayment of LAT is to be calculated at the following rates:

- within 1% for ordinary standard residential housing;
- 1% to 2% for commercial buildings;
- 1% to 3% for villas, luxury apartments and resorts; and
- 0.5% to 2% for all other types of properties.

On May 22, 2008, the Bengbu City Local Taxation Bureau promulgated the “Notice Concerning the Settlement of Land Appreciation Tax” 《關於土地增值稅清算有關問題的通知》, which states that if the LAT is levied upon deemed income, the full payment of LAT based on the rate of prepayment is deemed to be final settlement of such LAT.

APPENDIX V

TAXATION

Urban Land Use Tax. Pursuant to the Tentative Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land is between Rmb 0.2 and Rmb 10 per square meter. The Tentative Regulations of the People's Republic of China on Land Use Tax were revised by the State Council on December 31, 2006. As of January 1, 2007, the annual tax on every square meter of urban land shall be between Rmb 0.6 and Rmb 30.0.

Buildings Tax. Under the Tentative Regulations of the People's Republic of China on Buildings Tax promulgated by the State Council in September 1986, buildings tax is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental.

Stamp Duty. Under the Tentative Regulations of the People's Republic of China on Stamp Duty promulgated by the State Council in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of Rmb 5 per item.

Municipal Maintenance Tax. Under the Tentative Regulations of the People's Republic of China on Municipal Maintenance Tax promulgated by the State Council in 1985, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises issued by the State Taxation Bureau on February 25, 1994, the municipal maintenance tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Education Surcharge. Under the Tentative Provisions on Imposition of Education Surcharge promulgated by the State Council in April 1986 and revised by the State Council in June 1990 and August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises issued by the State Taxation Bureau on February 25, 1994 and the Supplementary Circular Concerning Imposition of Education Surcharge issued by the State Council on October 12, 1994, the education surcharge is not applicable to enterprises with foreign investment for the time being.

APPENDIX V

TAXATION

HONG KONG TAXATION

Dividends

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends we pay. Dividends distributed to our shareholders are free of withholding taxes in Hong Kong.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of our Shares. Trading gains from the sale of our Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Gains from sale of our Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of our Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of our Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of our Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of our Shares is effected by a non-Hong Kong resident and any stamp duty payable on the contract notes is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

CAYMAN ISLANDS TAXATION

Pursuant to section 6 of the Tax Concession Law (1999 Revision) of the Cayman Islands, our company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our company:
 - (i) on or in respect of the shares, debentures or other obligations of our company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from July 31, 2007.

APPENDIX V

TAXATION

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the Law of the People's Republic of China on Administration of Urban Real Estate (the “Urban Real Estate Law”) promulgated by the Standing Committee of the National People's Congress, effective in January 1995, as amended in August 2007 a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the “Development Regulations”) promulgated by the State Council in July 1998, an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be Rmb 1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and sale of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment promulgated by MOFCOM and NDRC in October 2007,

- the development of a whole land lot, the construction and operation of high-quality hotels, houses, premium office buildings, international conference centers large theme parks and secondary market residential property trading and brokering falls within the category of industries in which foreign investment is subject to restrictions,
- other real estate development falls within the category of industries in which foreign investment is permitted.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and sale of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations regarding foreign-invested enterprise.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries issued by the State Council on April 26, 2004, the portion of capital fund of real estate projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued a notice for “Adjusting the Portion of Capital for Fixed Assets Investment” 《國務院關於調整固定資產投資項目資本金比例的通知》 in May 2009. Under the notice, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other properties is adjusted from 35% to 30%.

In July 2006, the Ministry of Construction, the Ministry of Commerce, NDRC, PBOC, the State Administration for Industry and Commerce and SAFE promulgated the “Opinions on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market”. According to the Opinions, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations.
- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US\$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US\$10 million, the current rules on registered capital shall apply.
- A transfer of projects of or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the State-owned Land Use Right Grant Contract, the Permit for Land Planning for Construction Purpose and the Permit for the Planning of Construction Projects; (b) the State-owned Land Use Certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities.
- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors’ equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise’s employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavorable records are prohibited from involvement in such real estate activities in China.

In August 2006, the General Office of MOFCOM issued a notice on the implementation of the “Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market” 《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》. The notice requires that, the registered capital of a FIREE shall not be less than 50% of its total investment if its total investment exceeds US\$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US\$3.0 million or less.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

In May 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the “No. 50 Notice”). Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For foreign-invested company intending to engage in real estate development businesses, land use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the proposed foreign-invested real estate company will not be approved by the authorities. For existing foreign-invested company who intends to increase real estate development businesses in its business operation or company who intends to engage in the operation or development of the new real estate project, they should undertake relevant procedures with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same effective controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

The local MOFCOM administrative authority should make a record to MOFCOM after a foreign-invested real estate company is established. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for capital projects of FIREEs who fail to satisfy the MOFCOM for filing requirement or to pass the annual review.

SAFE issued No. 130 Notice on July 10, 2007, further regulating foreign investment in real estate sector in China.

According to No. 130 Notice, after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, injected foreign currencies will not be settled.

In June 2008, MOFCOM issued the Notice on Completing the Registration of Foreign Investment in the Real Estate Sector 《關於做好外商投資房地產企業備案工作的通知》， often known as “Notice No. 23”. According to Notice No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of FIREEs. Notice No. 23 requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction in March 2000, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

Under the Development Regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

DEVELOPMENT OF A REAL ESTATE PROJECT

Under the Catalog of Guidance on Industries for Foreign Investment promulgated by MOFCOM and NDRC in October 2007, foreign investments are restricted in the development of a whole land lot and construction, operation, transacting in the secondary real estate market and acting as real estate intermediaries or agents of high-quality hotels, houses, premium office buildings, international conference centers and large theme parks in China; and foreign investments are permitted in other real estate developments. According to the Interim Provisions on Approving Foreign Investment Project promulgated by NDRC in October 2004, approval of NDRC is required for foreign investment projects with total investment of US\$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US\$50 million or more within the category of foreign investments subject to restrictions. Other foreign investments in China will require only local approval. Specifically, the local authorities may examine and approve foreign investment projects with total investment less than US\$100 million within the category of encouraged or permitted foreign investments and those with total investment less than US\$50 million within the category of foreign investments subject to restrictions.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

Under the Interim Regulations of the People’s Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (the “Interim Regulations on Grant and Assignment”) promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulations on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction land promulgated by the Ministry of Land and Resources in March 1999 and the Measures for Administration of Preliminary Examination of Construction Project land promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004 and November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the purposes for which the land is acquired and must commence the development within the time frame agreed to under the land grant contract. If the land user fails to commence developing the land within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may charge the land user a “land idle fee” of up to 20% of the land premium. If the land user fails to commence development of the relevant land after two years from the deadline set forth in land grant contract, the land user’s land use rights may be forfeited without compensation. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions. According to the “Regulations on Idle Land Administration” promulgated by the Ministry of Land and Resources on April 28, 1999, if:

- after the land user obtains the land use right, the land user fails to commence developing the land within the period stated in the contract without the permission of the previous governments;

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

- the developed GFA on the land is less than one-third of the total planned GFA under the land grant contract;
- the sum already expended on the development of the land is less than one-fourth of the total investment budget under the land grant contract and the suspension of development of the land without government approval has lasted for one year or more; or
- the grant contract or the approval for construction of land does not provide the period of construction and the land user does not commence developing the land for one year from when the grant contract became effective or the date of presentation of the approval for construction, then such land will be treated as idle land and may be subject to land idle fee or forfeiture.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land promulgated by the Ministry of Construction in December 1992, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning promulgated by the Standing Committee of the National People's Congress in October 2007, effective from January 1, 2008, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing promulgated by the State Council in June 2001, if demolition of existing structures and removal of existing residents on the construction site need to be conducted before commencement of construction of the real estate project contemplated, the developer may apply to the local municipal, district or county level government in the place where the real estate is located for a permit for demolition and removal. Upon approval, the local government will issue a demolition and removal permit and post a demolition and removal notice to inform the inhabitants of the area subject to demolition. The designated demolition and removal party, typically a local government entity and sometimes the developer, must implement the demolition and removal within the area and period specified in the demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it may, within 15 days prior to the expiration of the permit for demolition and removal, apply to the original approval department in charge of demolition and removal for an extension.

During the demolition and removal period announced by the department in charge of demolition and removal, the demolition and removal party and the parties subject to demolition and removal will enter into a written agreement for compensation and resettlement in respect of the demolition and removal. If the demolition and removal party and the parties subject to demolition and removal cannot reach an agreement, any such party may apply to the original approval department in charge of the demolition and removal for a ruling. Such a ruling must be rendered within 30 days of the application. If any such party disagrees with the ruling, it may initiate proceedings in the People's Court in China within three months from the date of delivery

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

of the ruling. Pursuant to current PRC laws, if the demolition and removal party has provided proper monetary compensation or proper replacement housing to the parties subject to demolition and removal, the demolition and removal may not be stopped.

Compensation for demolition and removal may be effected by way of monetary compensation or exchange of property rights. If the monetary compensation method is used, the amount of compensation is assessed on the basis of the real property market price determined by the location, uses and the GFA of the housing to be demolished. If property exchange or replacement is used, the demolition and removal party and the parties subject to demolition and removal will, on the basis of the location, uses and the GFA of the housing to be demolished and the housing offered for exchange or replacement, calculate the amount of compensation for the housing to be demolished, the price of the housing to be exchanged or replaced for the housing to be demolished, and work out the difference between the two. In addition to paying the demolition and removal compensation, the demolition and removal party will also pay removal allowance to the parties subject to demolition and removal including lessees of the property.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works promulgated by the Ministry of Construction in October 1999, as amended in July 2001.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Development Regulations and the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (“Acceptance Examination Measures”) promulgated by the Ministry of Construction in June 2000. The developer must also report details of the acceptance examination according to the Interim Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Construction in April 2000. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People’s Congress amended the Constitution to permit the transfer of land use rights for value. And in December 1988, the Standing Committee of the National People’s Congress amended the Land Administration Law to permit the transfer of land use rights for value.

Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market which provides that land supply for luxury commodity housing shall be strictly controlled. On May 30, 2006, the Ministry of Land and Resources promulgated an Urgent Notice on Currently Strengthening Further Strict Land Management which provides that land grant for real estate development must be conducted via invitation for bids, auction and listing, and land supply for low to medium-priced and/or small to medium-sized ordinary commercial residential housing (including affordable housing) and for low-rental residential housing must be given priority, and land supply for low-density and/or large-sized residential housing shall be strictly restricted. In addition, the notice provides that land supply for new villa project shall be suspended.

In September 2007, The Ministry of Land and Resources (國土資源部) promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights By Way of Tender, Auction and Listing-For-Sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 (the “Rules”), which became effective in November 2007. The Rules further clarify the procedures for the grant of land use rights by way of tender, auction and listing-for-sale. Moreover, pursuant to the Rules, all land for commercial use, such as industry (including warehouse land, but excluding mining land), business, tourism, entertainment and commodity residential housing, and a land parcel with two or more purposes must be granted by way of tender, auction or listing for sale. The grantee of land use rights shall register the land and obtain the land use rights certificate only after full settlement of the land premium specified in the relevant land grant contract. No land use rights certificates shall be issued before full settlement of the land premium and land use rights certificates shall not be issued in proportion to the land premium paid.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use 《關於促進節約集約用地的通知》 with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice urges the full and effective use of existing construction land and the preservation of farming land. The notice also emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium. The notice further urges the financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice informs that the relevant governmental authorities will formulate and issue further rules and regulations on such requirements.

SALE OF COMMODITY PROPERTIES

Under the Measures for Administration of Sale of Commodity Houses promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties (“pre-sale”) and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004, and the Development Regulations. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulations and the

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a permit for construction works planning and a permit for commencement of works have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained; and
- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration.

The proceeds of pre-sale of commodity buildings must be used to develop the relevant project so pre-sold.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use rights certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term provided in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Land for industry (including warehouse land, but excluding mining land), commercial use, tourism, entertainment and commodity housing development must be assigned by competitive bidding, public auction or listing-for-sale under the current PRC laws and regulations.

LEASES OF BUILDINGS

Under the Urban Real Estate Law and the Measures for Administration of Leases of Buildings in Urban Areas promulgated by the Ministry of Construction in May 1995, parties to a lease of a building must enter into a lease contract in writing. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

MORTGAGES OF REAL ESTATE

Under the Urban Real Estate Law, the Security Law of PRC promulgated by the Standing Committee of the National People's Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

been obtained legally, the registration authority will, when registering the mortgage, make an entry under “third party rights” on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

According to the Notice of the People’s Bank of China on Regulating Home Financing Business promulgated by PBOC in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial property mortgage loans:

- Housing development loans from banks may only be granted to real estate developers with development qualification and credit ratings in the higher categories. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise’s internal capital shall not be less than 30% of the total investment required for the project, the project itself must have been issued with a “State-Owned Land Use Rights Certificate,” “Construction Land Planning Permit,” “Construction Works Planning Permit” and “Construction Works Commencement Permit.”
- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the collateral (the “Mortgage Ratio”) may never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the property must have achieved the stage of “topping-out of the main structure completed” for multi-storey buildings and “two-thirds of the total investment completed” for high-rise apartment buildings.
- In respect of the grant of individual commercial use building mortgage loans, the Mortgage Ratio for commercial use building mortgage loans may not exceed 60% with a maximum loan period of 10 years and the subject commercial use building already completed.

PBOC issued a Circular on Further Strengthening the Management of Loans for Property Business in June 2003 to tighten the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property developers with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.
- Commercial banks may not grant loans to property developers to pay off land premium.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down-payment by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased.
- When a borrower applies for a mortgage loan for an individual commercial use building, the Mortgage Ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area (套型建築面積) of 90 square meters or more, effective on June 1, 2006. See “— Measures on Stabilizing Housing Price” below.

In a Circular on Facilitating the Continuously Healthy Development of Property Market issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development. They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks issued by China Banking Regulatory Commission in August 2004, commercial banks may not provide any loan in any form for a project without the State-owned Land Use Rights Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the “Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve” issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

In May 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices 《關於調整住房供應結構穩定住房價格的意見》. According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low- and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 square meters per unit remains unchanged, and shall not be less than 20%.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

In September 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans 《關於加強商業性房地產信貸管理的通知》 to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land use rights certificate, construction land use planning permit, construction planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;
- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;
- the minimum down payment for a self-occupied flat with a GFA of less than 90 square meters per unit shall not be less than 20%. The minimum amount of down payment for a self-occupied flat with a GFA of over 90 square meters per unit shall not be less than 30%. The minimum down payment payable by an individual who has obtained a mortgage to purchase the second (or more) flat shall not be less than 40%. The loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;
- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and
- for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the requirement under a notice issued by POBC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing 《關於金融促進節約集約用地的通知》 in July 2008, real estate developers applying for loans from financial institutions by way of mortgage should have the legitimate land use rights certificate, the maximum amount of the mortgage offered by the financial institution should not be more than 70% of the assessed value of the collateral and the loan term should not exceed two years in principle.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans 《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》, which provides that, effective October 27, 2008, the float-down range for interest rate for individual mortgage loans is expanded and the ratio of down payments is be adjusted. As a result, the minimum interest rate for individual mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》. The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and their the banks' risk assessments.

According to an opinion on Adjusting the Portion of Capital for Fixed Assets Investment 《國務院關於調整固定資產投資項目資本金比例的通知》 issued by the State Council in May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other property is adjusted from 35% to 30%. Financial institutions shall decide based on the capital ratio adjustments whether or not to issue loans to real estate companies.

REAL ESTATE MANAGEMENT

Under the Measures for the Administration of Qualifications of Property Management Enterprises promulgated by the Ministry of Construction in March 2004 and amended in November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of nonperformance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and the China Banking Regulatory Commission jointly issued the Opinions on Stabilizing Housing Prices with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for house construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Bureau of Statistics, the State Taxation Bureau and CBRC jointly issued Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices. The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among the others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area (套型建築面積) less than 90 square meters per unit (including affordable housing) and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- requiring that, from June 1, 2006, the minimum amount of down payment be at least 30%; where a self-occupied flat has a unit floor area of less than 90 square meters per unit, the minimum amount of down payment is still 20%;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On May 30, 2006, the Ministry of Land and Resources published the Urgent Notice on Tightening Land Administration. In this Notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The Notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing.

In December 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》, which provides that in order to expand domestic demand and

APPENDIX VI SUMMARY OF PRC LAWS RELATING TO THE PROPERTY SECTOR

encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self-occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.
- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 18, 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. Memorandum of Association

The Memorandum of Association of our company was conditionally adopted on September 16, 2009, is to become effective on [●] and states, inter alia, that the liability of members of our company is limited, that the objects for which our company is established are unrestricted and our company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

2. Articles of Association

The Articles of Association of our company were conditionally adopted on June 2, 2008, are to become effective on [●] and include provisions to the following effect:

2.1 Classes of Shares

The share capital of our company consists of ordinary shares. The capital of our company at the date of adoption of the Articles of Association is HK\$ 300,000,000 divided into 30,000,000,000 ordinary shares of HK\$0.01 each.

2.2 Directors

2.2.1 Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in our company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our company or the holder thereof, liable to be redeemed.

2.2.2 Power to dispose of the assets of our company or any subsidiary

The management of the business of our company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by our company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by our company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

2.2.3 Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by our company in general meeting.

2.2.4 Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

2.2.5 Financial assistance to purchase Shares

Subject to all applicable laws, our company may give financial assistance to Directors and employees of our company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our company or any such subsidiary or holding company. Further, subject to all applicable laws, our company may give financial assistance to a trustee for the acquisition of shares in our company or shares in any such subsidiary or holding company to be held for the benefit of employees of our company, its subsidiaries, any holding company of our company or any subsidiary of any such holding company (including salaried Directors).

2.2.6 Disclosure of interest in contracts with our company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with our company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our company for

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of approving any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution) on such resolution, but this prohibition shall not apply to any of the following matters, namely:

- (a) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of our company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of our company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by our company or any other company which our company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of our company or any of its subsidiaries including:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of our company or any of its

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (iii) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of our company by virtue only of his interest in shares or debentures or other securities of our company.

2.2.7 Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or our company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

2.2.8 Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of our company and shall then be eligible for re-election at that meeting.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Our company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). Our company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Our company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of our company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our company notice in writing by a member of our company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing to our company at its registered office or its principal office in Hong Kong;
- (b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (c) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (f) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (g) if he shall be removed from office by an ordinary resolution of the members of our company under the Articles of Association.

At every annual general meeting of our company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

2.2.9 Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

2.2.10 Proceedings of the Board

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of our company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of Capital*

Our company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our company may from time to time by ordinary resolution:

- 2.5.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to our company for our company's benefit;
- 2.5.2 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Law; and
- 2.5.3 sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our company has power to attach to unissued or new shares.

Our company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Law.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our company entitled to vote at a general meeting of our company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of our company.

Where any member of our company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, by any person authorized in such circumstances to do so and such person may vote by proxy.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of our company duly registered and who shall have paid all sums for the time being due from him payable to our company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.

If a recognized clearing house (or its nominee) is a member of our company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our company or at any general meeting of any class of members of our company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee) which he represents as that recognized clearing house (or its nominee) could exercise if it were an individual member of our company holding the number and class of shares specified in such authorization.

2.8 Annual general meetings

Our company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall lapse between the date of an annual general meeting and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our company, or any of them, shall be open to the inspection of members of our company (other than officers of our company) and no such member shall have any right of inspecting any accounts or books or documents of our company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorized by the Directors or by our company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of our company for the period covered by the profit and loss account and the state of our company's affairs as at the end of such

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our company at an annual general meeting shall not less than 21 clear days and not less than 20 clear business days before the date of the meeting, be sent in the manner in which notices may be served by our company as provided in the Articles of Association to every member of our company and every holder of debentures of our company provided that our company shall not be required to send copies of those documents to any person of whose address our company is not aware or to more than one of the joint holders of any shares or debentures.

Our company shall at any annual general meeting appoint an auditor or auditors of our company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our company at the annual general meeting at which they are appointed provided that in respect of any particular year our company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and not less than 20 clear business days and any other extraordinary general meeting shall be called by notice of not less than 14 clear days and not less than 10 clear business days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our company).

Notwithstanding that a meeting of our company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of our company.

2.11 *Transfer of Shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our company in respect thereof. All instruments of transfer shall be retained by our company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which our company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (e) the shares concerned are free of any lien in favor of our company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to our company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with our company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our company by electronic means as provided in the Articles of Association, be suspended and the register of members of our company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of our company to purchase its own Shares

Our company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of our company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of our company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Cayman Companies Law and Articles of Association, our company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Directors may from time to time pay to the members of our company such interim dividends as appear to the Directors to be justified by the profits of our company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of our company all sums of money (if any) presently payable by him to our company on account of calls, installments or otherwise.

No dividend shall carry interest against our company.

Whenever the Directors or our company in general meeting have resolved that a dividend be paid or declared on the share capital of our company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of our company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of our company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to our company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, our company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to our company.

The Directors may, with the sanction of the members of our company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of our company entitled to attend and vote at a meeting of our company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney authorized in writing or if the appointer is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.16 *Calls on Shares and forfeiture of Shares*

The Directors may from time to time make calls upon the members of our company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of our company shall (subject to our company serving upon him at least 14 days' notice specifying the time and place of payment) pay to our company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our company all moneys which at the date of forfeiture were payable by him to our company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of our company shall be kept in such manner as to show at all times the members of our company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Our register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of our company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our company present in person or by proxy shall be a quorum provided always that if our company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our company or at any relevant general meeting of any class of members of our company.

The quorum for a separate general meeting of the holders of a separate class of shares of our company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.20 Procedure on liquidation

If our company shall be wound up, and the assets available for distribution amongst the members of our company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of our company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our company shall be wound up, the liquidator may with the sanction of a special resolution of our company and any other sanction required by the Cayman Companies Law, divide amongst the members of our company in specie or kind the whole or any part of the assets of our company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of our company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

Our company shall be entitled to sell any shares of a member of our company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) our company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, our company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our company and upon receipt by our company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

SUMMARY OF CAYMAN COMPANIES LAW AND TAXATION

1. Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

Our company was incorporated in the Cayman Islands as an exempted company with limited liability on July 18, 2007 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3. Share capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premium on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5. Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

6. Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and auditing requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

10. Inspection of books and records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

An exempted company may, subject to the provisions of the its Articles of Association, maintain its principal register of members and any registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

11. Special resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12. Subsidiary owning shares in parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

14. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (i) by a special resolution if the company is solvent or (ii) by an ordinary resolution of its members if the company is insolvent. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18. Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our company or its operations; and
- (b) in addition, that no tax to be levied on profits, income; gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our company:
 - (i) on or in respect of the shares, debentures or other obligations of our company; or

APPENDIX VII

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from July 31, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20. General

Maples and Calder, our company's legal advisors on Cayman Islands law, have sent to our company a letter of advice summarizing aspects of Cayman Islands company law. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Establishment of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on July 18, 2007. Our Company has established a place of business in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong and was registered on June 12, 2008 as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance, with Au-Yeung Po Fung, appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was established in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and to its constitution which comprises the Articles of Association. Certain relevant aspects of the relevant laws and regulations of the Cayman Islands and a summary of certain relevant parts of the Articles of Association are set out in Appendix VII to this document.

2. Changes in the share capital of our Company

The authorized share capital of our Company as at the date of its incorporation was US\$50,000 divided into 50,000 shares of US\$1.00 each.

On August 6, 2007, one subscriber share with par value of US\$1.00 of our Company was transferred to Skylong. On August 6, 2007, our Company allotted and issued 59 Shares, 20 Shares, 10 Shares and 10 Shares of US\$1.00 each to Skylong, Sky Infinity, Walong and Wason, respectively.

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

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

Save for aforesaid and as mentioned in the paragraph entitled "— 3. Written resolutions of all our Shareholders" below, there has been no alteration in the share capital of our Company since its incorporation.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

3. Written resolutions of all our Shareholders

- (i) Pursuant to the written resolutions passed by our Shareholders on December 14, 2007:
 - (a) we increased and revised our authorized share capital to HK\$300,000,000 divided into 30,000,000,000 Shares with a par value of HK\$0.01 each;
 - (b) we allotted and issued an aggregate of 3,000,000,000 Shares to our then existing Shareholders; and
 - (c) we cancelled the 100 issued Shares with a par value of US\$1.00 each and the authorized and un-issued 49,900 Shares with a par value of US\$1.00 each;
- (ii) Pursuant to the written resolutions passed by our Shareholders on June 2, 2008:
 - (a) our Company approved and adopted the Articles of Association on September 16, 2009;

4. Corporate reorganization

The companies comprising the Group underwent a Reorganization. For information relating to the Reorganization, please refer to the section "History, Reorganization and Corporate Structure."

5. Changes in share capital of subsidiaries

Our principal subsidiaries are referred to in the Accountants' Report for our Company, the text of which is set out in Appendix I to this document.

The following alterations in the registered share capital of our subsidiaries have taken place within the two years preceding the date of this document:

1. On December 24, 2007, Hualong Commercial increased its registered capital to Rmb 5,000,000.
2. On January 29, 2008, Zhengzhou Powerlong increased its registered capital to Rmb 700,000,000.
3. On March 3, 2008, Wuxi Yuqi increased its registered capital to US\$15,000,000.
4. On March 19, 2008 Qingdao Powerlong increased its registered capital to Rmb 660,000,000.
5. On April 11, 2008, Qingdao Powerlong Commercial increased its registered capital to Rmb 4,000,000.
6. On September 18, 2008, Tai'an Powerlong Commercial increased its registered capital to Rmb 3,000,000.
7. On December 24, 2008, Fuzhou Powerlong Commercial increased its registered capital to Rmb 10,000,000.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

8. On March 2, 2008, Bengbu Powerlong Commercial increased its registered capital to Rmb 3,000,000.
9. On May 14, 2009, Suqian Powerlong increased its registered capital to Rmb 100,000,000.
10. On May 13, 2009, Lianshang Logistic increased its registered capital to US\$16,000,000.

Save for the subsidiaries mentioned in the Accountants' Report in Appendix I to this document, our Company has no other subsidiaries.

Save as disclosed in this document, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts, considered material and not being contracts entered into in the ordinary course of business, have been entered into by us and/or our subsidiaries within the two years preceding the date of this document:

- (a) an agreement dated December 10, 2007 entered into between Hong Qun Feng and Fuzhou Powerlong regarding the transfer by Hong Qun Feng of his 29% interest in Hualong Commercial to Fuzhou Powerlong at a consideration of Rmb 290,000.00;
- (b) an agreement dated December 14, 2007 between our Company, Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and Macquarie relating to the issue by our Company of the Convertible Bonds in an aggregate principal amount of Rmb 409,580,860 and the Secured Bonds and Secured Notes in an aggregate principal amount of Rmb 614,371,290;
- (c) an agreement dated July 28, 2008 between 張祁 (Zhang Qi) and Fuzhou Powerlong regarding the transfer by 張祁 (Zhang Qi) of his 5% interest in Powerlong Decoration to Fuzhou Powerlong at a consideration of Rmb 250,000.00;
- (d) an agreement dated July 28, 2008 between 郭文虎 (Guo Wen Hu) and Fuzhou Powerlong regarding the transfer by 郭文虎 (Guo Wen Hu) of his 20% interest in Powerlong Decoration to Fuzhou Powerlong at a consideration of Rmb 1,000,000.00;
- (e) an agreement dated July 28, 2008 between 陳章斌 (Chen Zhang Bin) and Fuzhou Powerlong regarding the transfer by 陳章斌 (Chen Zhang Bin) of his 5% interest in Powerlong Decoration to Fuzhou Powerlong at a consideration of Rmb 250,000.00;
- (f) an amendment agreement dated September 30, 2008 entered into between our Company, Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and the Investors relating to the issue by our Company to the Investors the Secured Bonds and the Secured Notes;

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

- (g) an agreement dated January 20, 2009 between HK Powerlong and Powerlong (HK) 1 regarding the transfer of HK Powerlong of its 90% interest in Qingdao Licang Powerlong to Powerlong (HK) 1 at a consideration of HK\$1.00;
- (h) an agreement dated May 31, 2009 between HK Powerlong and Fuzhou Powerlong regarding the transfer by HK Powerlong of its 60% interest in Zhengzhou Powerlong to Fuzhou Powerlong at a consideration of HK\$1.00;
- (i) an agreement dated June 2, 2009 between HK Powerlong and Fuzhou Powerlong regarding the transfer by HK Powerlong of its 60% interest in Qingdao Powerlong to Fuzhou Powerlong at a consideration of HK\$1.00;
- (j) a second amendment agreement dated July 17, 2009 entered into between our Company, Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and the Investors relating to the issue by our Company to the investors the Secured Bonds and the Secured Notes;
- (k) an instrument of transfer dated August 12, 2009 between GNL09 Limited and Lianshang Logistics regarding the transfer by GNL09 Limited of its 100% interest in Kind Sonic to Lianshang Logistics at a consideration of HK\$1.00;
- (l) the Deed of Non-competition dated September 16, 2009 between the Controlling Shareholders and our Company pursuant to which the Controlling Shareholders have unconditionally undertaken to us that he/it will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in, any business which may be in competition with our businesses and those of our subsidiaries;
- (m) the deed of indemnity dated September 16, 2009 given by the indemnifiers named therein in favor of our Company and its subsidiaries in respect of, amongst others, Hong Kong estate duty, taxation and other indemnities referred to in the sub-section entitled “— D. Other Information — 3. Estate duty, tax and other indemnities” in this Appendix;

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

2. Intellectual property

(a) Trademarks

- (i) As at the Latest Practicable Date, we had the right to use each of the following trademarks pursuant to a trademark license agreement dated September 4, 2009:

Trademark	Name of Registrant	Place of Registration	Class	Registration Number	Expiry Date
POWERLONG . . .	Xiamen Powerlong Group	PRC	36	1491633	December 13, 2010
POWERLONG . . .	Xiamen Powerlong Group	PRC	37	1495381	December 20, 2010
	Xiamen Powerlong Group	PRC	43	3657326	November 20, 2015
POWERLONG . . .	Xiamen Powerlong Group	PRC	43	3657327	November 13, 2015

- (ii) As at the Latest Practicable Date, we had registered the following trademark:

Trademark	Name of Registrant	Place of Registration	Class	Registration Number	Expiry Date
	Fuzhou Powerlong	Hong Kong	35, 36, 37, 42, 43	300791019	January 3, 2017

- (iii) As at the Latest Practicable Date, we had applied for the registration of the following trademarks with the Trademark Office of State Administration for Industry and Commerce of the PRC:

Trademark	Name of Applicant	Place of Application	Class	Application Number	Date of Application
	Fuzhou Powerlong	PRC	37	4442896	July 2, 2008
	Fuzhou Powerlong	PRC	36	4442890	July 2, 2008
宝龙·城市广场	Fuzhou Powerlong	PRC	36	5034898	July 2, 2008
	Fuzhou Powerlong	PRC	36	5640632	July 2, 2008

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

(b) *Domain names*

As of the Latest Practicable Date, we were the registered owner of the following domain names:

Domain name	Name of Proprietor	Date of Registration	Expiry date
Powerlong.com	Powerlong Management	July 2, 1998	July 1, 2012
Powerlong.com.cn	Powerlong Management	August 10, 1998	August 10, 2012
Powerlongrealestate.com	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongrealestate.cn	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongrealestate.com.cn	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongcityplaza.com	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongcityplaza.cn	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongcityplaza.com.cn	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongmall.cn	Powerlong Management	February 1, 2008	February 1, 2010
Powerlongmall.com.cn	Powerlong Management	February 1, 2008	February 1, 2010
宝龙地产.中国	Powerlong Management	February 1, 2008	February 1, 2010
宝龙房地产.中国	Powerlong Management	February 1, 2008	February 1, 2010

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest — interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations*

The interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies are as follows.

(i) *Interest in Shares of our Company*

<u>Name of Director</u>	<u>Company/ Associated Corporation</u>	<u>Nature of Interest</u>	<u>Number of Securities</u>	<u>Approximate Percentage of Shareholding</u>
Hoi Kin Hong (Notes 1 and 2)	Company	Interest of a controlled corporation	[●] (L)	[●]%
Hoi Wa Fong (Notes 1 and 3)	Company	Interest of a controlled corporation	[●] (L)	[●]%
Hoi Wa Fan (Notes 1 and 3)	Company	Interest of a controlled corporation	[●] (L)	[●]%

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. Skylong is beneficially owned by Hoi Kin Hong.
3. Sky Infinity is beneficially owned by Hoi Wa Fong.
4. Walong is beneficially owned by Hoi Wa Fan.

(ii) *Interest in associated corporations of the Company*

<u>Name of Director</u>	<u>Name of Associated Corporation</u>	<u>Number of Shares</u>	<u>Percentage of Shareholding</u>
Hoi Kin Hong	Skylong	100	100%
Hoi Wa Fong	Sky Infinity	100	100%
Hoi Wa Fan	Walong	100	100%

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. The current annual director's fees and remuneration of the executive Directors for the year ending 31 December 2009 are as follows.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Annual Director’s Fee (RMB)</u>
Hoi Kin Hong	240,000
Hoi Wa Fong	240,000
Xiao Qing Ping.	240,000
Shih Sze Ni	240,000
Liu Xiao Lan	240,000

The non-executive Director has been appointed for a term of three years. Our Company intends to pay a director’s fee of RMB180,000 per annum to the non-executive Director.

The independent non-executive Directors have been appointed for a term of three years. Our Company intends to pay a director’s fee of HK\$240,000 per annum to each of our independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending December 31, 2009 will be approximately HK\$572,045.

Further details of the terms of the above service contracts are set out in the paragraph entitled “— (b) Particulars of service contracts” in the sub-section entitled “— 1. Directors” in this Appendix.

2. Substantial Shareholders

- (a) So far as our Directors are aware, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Percentage of Shareholding</u>
Skylong (<i>Notes 1 and 2</i>) . .	Beneficial owner	[●] (L)	[●]%
Sky Infinity (<i>Notes 1 and 3</i>)	Beneficial owner	[●] (L)	[●]%
Walong (<i>Notes 1 and 4</i>) . .	Beneficial owner	[●] (L)	[●]%
Wason (<i>Notes 1 and 5</i>) . .	Beneficial owner	[●] (L)	[●]%

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

Notes:

1. The letter "L" denotes the person's long position in such securities.
 2. Skylong is beneficially owned by Hoi Kin Hong.
 3. Sky Infinity is beneficially owned by Hoi Wa Fong.
 4. Walong is beneficially owned by Hoi Wa Fan.
 5. Wason is beneficially owned as to 70% by Che Lok Teng, as to 10% by each of Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐) and Hoi Wa Weng.
- (b) As of the Latest Practicable Date, so far as is known to our Directors, the following person was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had option in respect of such capital:

<u>Name of shareholder</u>	<u>Name of company</u>	<u>Approximate percentage shareholding</u>
Macau Jurong	Wuxi Powerlong	20%
Chen Yi Wei	Powerlong Design	20%
Hong Qun Feng	Bairun Consulting	29%
Hong Qun Feng	Jinjianguo Consulting	29%
Mei Song Hua	Xiamen Original Design	29%

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

Save as disclosed herein:

- (a) [●]
- (b) [●]
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

- (e) taking no account of Shares which may be taken up under [●], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (f) [●]; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on September 16, 2009.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Acceptance of an offer of Options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue being [●] Shares, excluding for this purpose Shares which would have been issuable pursuant to options

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (q) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an Option must be accepted;
- (dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the Option is offered;
- (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the Option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the Option; and
- (hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (q) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation,

which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) *Rights on takeover*

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company on the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are canceled in accordance with paragraph (t) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

(u) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

[•]

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

2. Estate duty, tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (rr) of the sub-section entitled “— B. Further Information About Our Business — 1. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which our Company may be subject which might be payable by any member of the Group.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

3. Litigation

Save as disclosed in the section entitled “Business – Legal Proceedings and Material Claims” in this document as of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

4. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, the Directors can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

5. Miscellaneous

- (a) Save as disclosed herein, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in our Company or any of its subsidiaries;
- (c) none of the persons named in the sub-section entitled "— D. Other Information — 10. Consents of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;
- (d) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2009 (being the date to which the latest audited consolidated financial information of the Group were made up);
- (e) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;
- (f) the principal register of members of our Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands;
- (g) no company within the Group is presently listed on any stock exchange or traded on any trading system; and
- (h) the Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.