

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS WHICH HAVE BEEN OR WILL BE DISCONTINUED UPON OR SHORTLY BEFORE THE COMPLETION OF THE REORGANIZATION

During the three years ended December 31, 2008 and the six months ended June 30, 2009 and prior to the completion of the Reorganization, there have been the following transactions which, had our Company been listed at the relevant times, would have constituted connected transactions which are subject to reporting, announcement and/or independent shareholders' approval requirements.

Sale of properties

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Group sold certain properties, including commercial and retail properties, in our property development projects to our Controlling Shareholders, Directors and members of the senior management of our Company, director and shareholder of certain of our subsidiaries, and certain of their respective associates for their residential or leasing purposes. For the three years ended December 31, 2008 and the six months ended June 30, 2009, the aggregate GFA of properties sold to related parties were 1,483.0 sq.m., 24,123.8 sq.m., nil and nil. For the three years ended December 31, 2008 and the six months ended June 30, 2009, the aggregate transaction values of such sale of properties to related parties were approximately RMB3.2 million, approximately RMB132.5 million, nil and nil, respectively. The transaction value of the sale of properties significantly increased in 2007 because the sales were derived from projects which were mainly completed and delivered in 2007. There was a loss from the sale of properties to related parties in 2006 amounting to approximately RMB211,000 and a profit from the sale of properties to related parties in 2007 amounting to approximately RMB10.2 million. As of the Latest Practicable Date, the aggregate GFA of properties used by our related parties for their own occupancy, trading and leasing purposes respectively were 1,744.1 sq.m., nil and 23,156.6 sq.m.

Our Directors and the Property Valuer are of the opinion that (i) the sale of various units in Phase I of Yuzhou Garden, Phases I and II of Yuzhou Overseas City and Phase I of Yuzhou Harbour City were transacted on normal commercial terms (other than the relevant consideration being lower than the then prevailing market rates) pursuant to standard sale and purchase agreements containing normal terms and conditions; and (ii) the sale of 6 retail units in Phase I of Yuzhou Harbour City as a single unit were agreed on normal commercial terms and the consideration for which was reasonable.

Our Directors are of the opinion that the relevant consideration of the sold properties referred to in items (i) and (ii) above were fair and reasonable and in the interest of the shareholders of our Company as a whole.

These transactions have been completed before the completion of the Reorganization and we do not intend to engage in such transactions upon the completion of the Reorganization.

Purchase of properties

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Controlling Shareholder, Ms. Kwok Ying Lan, sold the office premises at Units 3104, 3105 and 3106,

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Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with an aggregate GFA of 479 sq.m. to our subsidiary, Ludong Co., for an aggregate consideration of approximately RMB2,538,000. The transfer of such office premises became effective on September 23, 2008. Prior to such transfer, the office premises were leased on behalf of Ms. Kwok Ying Lan to Ludong Co. and Hefei Yuzhou Co., see “— Lease of office premises” for details. Our Directors are of the opinion that the consideration paid in respect of the purchase of such office premises was fair and reasonable. The Property Valuer is of the opinion that the consideration paid was fair and reasonable and the transaction was made on normal commercial terms.

Advances provided to or obtained from our Group by our related parties

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Controlling Shareholders and certain of their associates provided advances to or obtained advances from certain of our subsidiaries.

The following table sets forth the advances due from our related parties to our Group as of the dates indicated:

	As of December 31,			As of
	2006	2007	2008	June 30, 2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Lam Lung On	2,892 ⁽¹⁾	2,892 ⁽¹⁾	2,892 ⁽¹⁾	2,892 ⁽¹⁾
Kwok Ying Lan	151,791 ⁽²⁾	94,841 ⁽³⁾	24,402 ⁽⁴⁾	145,365 ⁽¹⁰⁾
Lin Longzhi	18,513 ⁽⁵⁾	43,543 ⁽⁵⁾	—	—
Lin Conghui	200 ⁽⁶⁾	200 ⁽⁶⁾	—	—
Ye Biyun	9 ⁽⁷⁾	9 ⁽⁷⁾	—	—
Zongheng Group	162,813 ⁽⁸⁾	192,813 ⁽⁸⁾	—	—
Yaozhou Management Co.	24,770 ⁽⁹⁾	24,770 ⁽⁹⁾	—	—
Gangyi Capital Co.	—	—	—	900 ⁽¹²⁾
Zongheng Technology Co.	—	—	—	10,400 ⁽¹¹⁾
Total	<u>360,988</u>	<u>359,068</u>	<u>27,294</u>	<u>159,557</u>

Notes:

- (1) Lam Lung On obtained advances from Xiamen Huaqiaocheng Co.
- (2) This includes advances obtained by Kwok Ying Lan from Gangyi Communications Co., Xiamen Huaqiaocheng Co., Yuzhou Co., Gangyi Investment Co. and Singapore Diyuan.
- (3) This includes advances obtained by Kwok Ying Lan from Gangyi Communications Co., Xiamen Huaqiaocheng Co., Gangyi Investment Co., Fung Chow Co. and Singapore Diyuan.
- (4) This includes advances obtained by Kwok Ying Lan from Fengzhou Group Co., our Company, BVI Co., Yuzhou Co., Xiamen Huaqiaocheng Co. and Gangyi Investment Co.
- (5) Lin Longzhi obtained advances from Gangyi Communications Co. for the year ended December 31, 2006 and from Gangyi Communications Co. and Yuzhou Co. for the year ended December 31, 2007.
- (6) Lin Conghui obtained advances from Yuzhou Co. for the two years ended December 31, 2007.
- (7) Ye Biyun obtained advances from Fengzhou Investment Co. for the two years ended December 31, 2007.
- (8) Zongheng Group obtained advances from Gangyi Communications Co. for the year ended December 31, 2006 and from Gangyi Communications Co. and Yuzhou Co. for the year ended December 31, 2007.
- (9) Yaozhou Management Co. obtained advances from Anhui Huaqiaocheng Co. for the two years ended December 31, 2007.
- (10) This includes advances obtained by Kwok Ying Lan from Fengzhou Group Co., our Company, BVI Co., Xiamen Huaqiaocheng Co., Gangyi Investment Co. and Gangyi Communications Co.
- (11) Zongheng Technology Co. obtained advances from Yuzhou Co.
- (12) Gangyi Capital Co. obtained advances from Yuzhou Co.

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The following table sets forth the advances due from our Group to our related parties as of the dates indicated:

	As of December 31,			As of
	2006	2007	2008	June 30, 2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Kwok Ying Lan	144,308 ⁽¹³⁾	362,982 ⁽¹⁴⁾	549,033 ⁽²⁰⁾	567,238 ⁽²⁴⁾
Ye Biyun	—	—	4,750 ⁽²²⁾	—
Guo Wengu	30,000 ⁽¹⁵⁾	422,413 ⁽¹⁵⁾	—	—
Lin Conghui	—	—	250 ⁽²¹⁾	—
Lam Wang Yu	1,989 ⁽¹⁶⁾	50 ⁽¹⁶⁾	1,642 ⁽¹⁶⁾	1,642 ⁽¹⁶⁾
Zongheng Group	55,000 ⁽¹⁷⁾	—	10,348 ⁽¹⁷⁾	10,348 ⁽¹⁷⁾
Gangyi Capital Co.	—	—	4 ⁽²³⁾	—
Yaozhou Management Co.	5,248 ⁽¹⁹⁾	5,248 ⁽¹⁹⁾	—	—
Zongheng Co.	25,000 ⁽¹⁸⁾	2,620 ⁽¹⁸⁾	—	—
Zongheng Communication Management Co.	—	12,479 ⁽²⁵⁾	12,479 ⁽²⁵⁾	4,539 ⁽²⁵⁾
Total	<u>261,545</u>	<u>805,792</u>	<u>578,506</u>	<u>583,767</u>

Notes:

- (13) Kwok Ying Lan provided advances to Kangtai Co., Hong Kong Yuzhou Group, Xingzhou Co., Fung Chow Co., Philippines International and Fengzhou Group Co.
- (14) Kwok Ying Lan provided advances to Yuzhou Co., Kangtai Co., Yuejiang Co., Fung Chow Co., Philippines International, Hong Kong Yuzhou Group, Xingzhou Co. and Gangli Decoration Co.
- (15) Guo Wengu provided advances to Yuzhou Co. for the year ended December 31, 2006 and to Xiamen Huaqiaocheng Co. and Yuzhou Co. for the year ended December 31, 2007.
- (16) Lam Wang Yu provided advances to Xiamen Huaqiaocheng Co. for the three years ended December 31, 2008 and to Jinguoji Co. for the year ended December 31, 2008 and the six months ended June 30, 2009.
- (17) Zongheng Group provided advances to Yuzhou Co. for the year ended December 31, 2006, the year ended December 31, 2008 and the six months ended June 30, 2009.
- (18) Zongheng Co. provided advances to Yuzhou Co. for the two years ended December 31, 2007.
- (19) Yaozhou Management Co. provided advances to Yuzhou Development Co. and Xiamen Huaqiaocheng Co. for the two years ended December 31, 2007.
- (20) Kwok Ying Lan provided advances to Fung Chow Co., Philippines International, Singapore Di Yuan, Hong Kong Yuzhou Group, Xingzhou Co., Gangli Decoration Co., Gangyi Communications Co., Yuejiang Co., Kangtai Co. and Jinguoji Co. for the year ended December 31, 2008.
- (21) Lin Conghui provided advances to Gangyi Communications Co. for the year ended December 31, 2008.
- (22) Ye Biyun provided advances to Gangyi Communications Co. for the year ended December 31, 2008.
- (23) Gangyi Capital Co. provided advances to Yuzhou Commercial Investment Management Co. for the year ended December 31, 2008.
- (24) Kwok Ying Lan provided advances to Fung Chow Co., Philippines International, Singapore Di Yuan, Hong Kong Yuzhou Group, Xingzhou Co., Yuzhou Co., Yaozhou Co., Guifeng Co., Yuzhou Real Estate Investment Co., Gangyi Communications Co., Yuejiang Co., Kangtai Co., Jinguoji Co. and Gangli Decoration Co.
- (25) Zongheng Communication Management Co. provided decoration services to Yuejiang Co. for the year ended December 31, 2007.

The above advances provided to or obtained from subsidiaries within our Group by our related parties have been settled in full in cash prior to the completion of the Reorganization. As of September 1, 2009, there was an outstanding advance of HK\$809,362,447 provided by Mr. Lam Lung On and Ms. Kwok Ying Lan in equal proportions to our Company. Such advance was settled in full as part of the Reorganization by the issue of 403,199,479 Shares to Mr. Lam Lung On and 403,199,479 Shares to Ms. Kwok Ying Lan, respectively, on October 9, 2009.

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Lease of office premises

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Group had entered into a number of lease agreements with certain of our Company's connected persons, pursuant to which our Group had leased from, as well as leased to, such connected persons a number of premises for use as office premises or for other purposes. The lease agreements included:

- (i) a lease agreement entered into between Ms. Kwok Ying Lan and Hefei Yuzhou Co., pursuant to which Ms. Kwok Ying Lan agreed to lease the office premises at Unit 2804 (now known as Unit 3104), Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with a GFA of 166.4 sq.m. for a term of 16 months from September 1, 2006 to December 31, 2007;
- (ii) a lease agreement entered into between Ms. Kwok Ying Lan and Hefei Yuzhou Co., pursuant to which Ms. Kwok Ying Lan agreed to lease the office premises at Unit 2805 (now known as Unit 3105), Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with a GFA of 166.4 sq.m. for a term of 16 months from September 1, 2006 to December 31, 2007;
- (iii) a lease agreement entered into between Ms. Kwok Ying Lan and Anhui Huaqiaocheng Co., pursuant to which Ms. Kwok Ying Lan agreed to lease the office premises at Unit 2806 (now known as Unit 3106), Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with a GFA of 146.3 sq.m. for a term of 16 months from September 1, 2006 to December 31, 2007;
- (iv) a lease agreement entered into between Ludong Co. and Mr. Lin Longzhi on June 29, 2007, pursuant to which Mr. Lin Longzhi, on behalf of Ms. Kwok Ying Lan, agreed to lease to Ludong Co. the office premises at Unit 3104, Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with a GFA of 166.4 sq.m. for a term of 18 months from July 1, 2007 to December 31, 2008;
- (v) a lease agreement entered into between Ludong Co. and Ms. Ye Biyun on June 29, 2007, pursuant to which Ms. Ye Biyun, on behalf of Ms. Kwok Ying Lan, agreed to lease to Ludong Co. the office premises at Unit 3105, Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with a GFA of 166.4 sq.m. for a term of 18 months from July 1, 2007 to December 31, 2008;
- (vi) a lease agreement entered into between Hefei Yuzhou Co. and Mr. Guo Wengu on June 29, 2007, pursuant to which Mr. Guo Wengu, on behalf of Ms. Kwok Ying Lan, agreed to lease to Hefei Yuzhou Co. the office premises at Unit 3106, Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, PRC with a GFA of 146.3 sq.m. for a term of 18 months from July 1, 2007 to December 31, 2008;
- (vii) a lease agreement entered into between Yuzhou Development Co. and Ms. Guo Hongying on January 16, 2007, pursuant to which Yuzhou Development Co. agreed to lease to Ms. Guo Hong Ying the premises at Unit 11, Ground Floor, No. 22 Hening Lane, Yuzhou New City Phase I, Haotou, Dongdu, Huli District, Xiamen, Fujian Province, PRC with a GFA of 48.1 sq.m. for use as a storage area in connection with the kindergarten under the lease agreement in (vii) above and for a term of three years from January 17, 2007 to January 16, 2010.

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The three lease agreements set out in (i), (ii) and (iii) above were terminated on June 30, 2007. The three leases set out in (iv), (v) and (vi) above were terminated upon the transfer of the three relevant office premises by Ms. Kwok Ying Lan to our subsidiary, Ludong Co., which became effective on September 23, 2008, see “— Purchase of properties” for details. The lease set out in (vii) above was terminated with effect from January 2008. For the three years ended December 31, 2008 and the six months ended June 30, 2009, the gross rental income payable by our Group to our connected persons pursuant to the six lease agreements set out in (i) to (vi) above were RMB42,300, RMB167,600, RMB126,900 and nil, respectively. For the three years ended December 31, 2008 and the six months ended June 30, 2009, the gross rental income derived by our Group from our connected persons pursuant to the lease agreement set out in (vii) above were RMB36,000, RMB36,000, nil and nil, respectively.

Property leasing service provided by Xiamen Huaqiaocheng Co. to the Lam Family Group

Prior to the completion of the Reorganization the Lam Family Group had entrusted Xiamen Huaqiaocheng Co. to provide services in leasing out the Lam Family Group’s Retail Properties with an aggregate GFA of approximately 23,156.6 sq.m. For nil consideration, Xiamen Huaqiaocheng Co. handled all matters related to the leasing of such retail properties, including but not limited to the negotiation of rental income and terms of leasing, in accordance with the then prevailing market rates and terms.

As disclosed in the “Relationship with our Controlling Shareholders” section, the Lam Family Group has undertaken to dispose of all the Lam Family Group’s Retail Properties by way of sale to Independent Third Parties on an arm’s length basis no later than the end of six months after the completion of the Reorganization. The Lam Family Group has also undertaken that, upon the completion of the Reorganization, none of its members will renew existing leases of the Lam Family Group’s Retail Properties which expire or are otherwise terminated on a date within the period from and including the date of completion of the Reorganization up to and including the end of six months thereafter, pending the sale of the relevant Lam Family Group’s Retail Properties no later than the end of six months after the completion of the Reorganization.

Entrusted loan arrangements

From August 2008 to September 2008, Zongheng Group (an associate of Lam Lung On and Kwok Ying Lan and therefore a connected person of our Company), Industrial Bank Co., Ltd. and Jinguoji Co. entered into four entrusted loans agreements pursuant to which Jinguoji Co. obtained four unsecured entrusted loans of an aggregate amount of RMB145,000,000 from Zongheng Group via Industrial Bank Co., Ltd., Xiamen Branch for a one-year period at the interest rate of 8.69%. Such entrusted loans were used for the development of Yuzhou Yuanbo City. Jinguoji Co. repaid the above entrusted loans in April, 2009 and July, 2009, respectively, thereby all the entrusted loans were repaid in full.

We do not intend to enter into any entrusted loan arrangements with any of our connected persons after the completion of the Reorganization.

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Decoration services provided by Zongheng Communication Management Co. to Yuejiang Co.

From February 2007 to May 2007, Yuejiang Co. engaged Zongheng Communication Management Co. (a connected person of our Company) to provide decoration services for certain commercial areas in relation to our project, Yuzhou Jinqiao International. The service fee paid to Zongheng Communication Management Co. was approximately RMB12,479,000. The provision of decoration services by Zongheng Communication Management Co. was a one-off arrangement and was discontinued before the completion of the Reorganization.

Interior decoration services provided by Zongheng Communication Management Co. to Kangtai Co.

From May 2009 to September 2009, Kangtai Co. engaged Zongheng Communication Management Co. (a connected person of our Company) to provide interior decoration services in relation to our project, Yuzhou Jinqiao International. The service fee paid to Zongheng Communication Management Co. was approximately RMB16,507,000. The provision of interior decoration services by Zongheng Communication Management Co. was a one-off arrangement and was discontinued before the completion of the Reorganization.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Design and installation services provided by Zongheng Communication Development Co.

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Group had from time to time engaged Zongheng Communication Development Co. (a connected person of our Company) to provide services in relation to the design, installation and testing of intelligence systems in certain of our projects prior to or around the time of their completion. Such intelligence systems include but are not limited to alarm systems, closed-circuit television monitoring systems, video intercom systems and security systems.

The following table sets forth the historical figures of the aggregate fees paid by our Group to Zongheng Communication Development Co. for the three years ended December 31, 2008 and the six months ended June 30, 2009:

	Historical figures for the year ended December 31,			Historical figures for the six months ended June 30,
	2006	2007	2008	2009
	(RMB)	(RMB)	(RMB)	(RMB)
Aggregate amount of fees paid by our Group	541,000	320,000	3,148,000	859,000

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Zongheng Communication Development Co. provided services in respect of the following projects:

For the year ended December 31, 2006	Yuzhou Shuilian Manor Hai Tian Plaza
For the year ended December 31, 2007	Yuzhou Shuilian Manor Hai Tian Plaza
For the year ended December 31, 2008	Galaxy Garden Phase I of Yuzhou World Trade Center Yuzhou Golden Seacoast Hai Tian Plaza Yuzhou Shuilian Manor
For the six months ended June 30, 2009	Galaxy Garden Phase I of Yuzhou World Trade Center Yuzhou Golden Seacoast Yuzhou Shuilian Manor

Our Group intends to engage Zongheng Communication Development Co. from time to time to provide services relating to the design, installation and testing of intelligence systems in projects developed by us. The maximum aggregate fees estimated to be paid by our Group to Zongheng Communication Development Co. for the next three financial years after the completion of the Reorganization pursuant to the framework intelligence systems design and installation agreement between our Company and Zongheng Communication Development Co. must not exceed the annual caps set out below:

	Proposed annual cap for the year ended December 31,		
	2009	2010	2011
	(RMB)	(RMB)	(RMB)
Aggregate amount of fees to be paid by our Group	6,000,000	6,000,000	6,000,000

In arriving at the above annual caps, our Directors have considered the historical figures of the relevant transactions, the expected fees to be charged by third party contractors for the provision of similar services and our demand for such design and installation services based on the progress of our projects.

The term of the framework intelligence systems design and installation agreement is three years, renewable at the option of our Company for another term of three years by giving at least three months’ notice prior to the expiry of the initial term. Either party may terminate the framework intelligence systems design and installation agreement by giving at least three months’ notice.

The framework intelligence systems design and installation agreement is entered into on normal commercial terms. Based on the above agreement, we estimate that the fees to be paid by our Group for each of the three years ending on December 31, 2011 will be less than 0.1% of the applicable percentage ratios. The continuing connected transactions pursuant to the framework intelligence systems design and installation agreement are expected to fall within the *de minimis* threshold under Rule 14A.33(3) of the Listing Rules and are therefore exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.