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Web Proof Information Pack of



YUZHOU PROPERTIES COMPANY LIMITED

禹洲地產股份有限公司

(incorporated in the Cayman Islands with limited liability)

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YOU SHOULD READ THE WARNING ON THE COVER OF THIS INFORMATION PACK.

SUMMARY

OVERVIEW

We are one of the leading Fujian-based property developers and we consistently appear in the “Top 100 China Real Estate Enterprises” (中國房地產百強企業)⁽¹⁾. In particular, we were among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009, according to the Xiamen Real Estate Association (廈門市房地產業協會)⁽²⁾. We focus on high-quality residential, retail and commercial developments. To diversify our portfolio, we also develop commercial properties, including office buildings, shopping malls and hotels, and retain or intend to retain some of them as long-term investments. We also engage in property-related businesses such as property management for both residential and commercial properties. We have a track record of successfully bringing real estate projects in Xiamen and Shanghai to market. For example, according to the Xiamen Real Estate Association, we were among the top three and five property developers in Xiamen in terms of GFA contractually sold and contracted sales, respectively, in each of 2006, 2007 and 2008. In the six months ended June 30, 2009, according to the Xiamen Real Estate Association, we had the highest aggregate GFA contractually sold and contracted sales among all property developers in Xiamen. We believe that this track record, together with the recognition of our “Yuzhou” brand, positions us well to solidify our leading position in Xiamen and expand into other cities in Fujian Province as well as other regions in China.

We believe that our success is attributable to our commitment to high-quality design and development, and our attention to detail. For example, our Yuzhou Overseas City project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association and Xiamen Daily (廈門日報社), an Independent Third Party newspaper. Our Oriental Venice project received many awards including The International Awards for Liveable Communities (全球最適宜人類居住城市(社區)國際大獎)⁽³⁾ in 2005. China Construction Bank awarded the “Outstanding Complex Award” (總行級“優質樓盤放心房”) to our Yuzhou Harbour City project in 2005. Our Jinqiao International project received the “2009 Central Shanghai Most Valuable Investment Complex” (2009上海中環最具投資價值樓盤) award from NetEase.com Real Estate (網易房產頻道), an Independent Third Party website. In 2006, we received the “China Real Estate Industry Strategic Expansion Gold Award” (中國房地產企業發展戰略拓展金獎) from the Enterprise Research Institute of the Development Research Center of the State Council

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- (1) The “Top 100 China Real Estate Enterprises” (中國房地產百強企業) is published by the China Real Estate Top 10 Research Team, a research team jointly established by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), which are Independent Third Parties. The China Real Estate Top 10 Research Team has conducted research on the top 100 real estate enterprises in the PRC since 2004. It is an Independent Third Party. Our Group was named one of the “Top 100 China Real Estate Enterprises” in each of the years from 2006 to 2009.
- (2) Xiamen Real Estate Association is an organization registered with the Xiamen Municipal Bureau of Civil Affairs (廈門市民政局) under the sponsorship of Xiamen Municipal Bureau of Construction and Administration (廈門市建設與管理局). The organization’s members include business enterprises, institutions and relevant government agencies in Xiamen that are engaged in real property development and operation, property construction and maintenance, property management and property title management. It is an Independent Third Party.
- (3) The International Awards For Liveable Communities (“The LIVCOM Awards”) is a competition activity that is focused on the issues relating to the management of urban and community living environment, ecological construction, resources utilization and sustainable development. The LIVCOM Awards is authorized by United Nations Environment Programme and sponsored by IFPRA, an international non-profit organization with more than 700 members in over 60 countries. More than 20 local and national organizations in PRC are formal members of IFPRA. IFPRA is an Independent Third Party.

SUMMARY

(國務院發展研究中心企業研究所)⁽⁴⁾, the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所)⁽⁵⁾ and China Index Academy (中國指數研究院)⁽⁶⁾. Our “Yuzhou” brand was also recognized as a “Famous Brand” (著名商標) by the Fujian provincial government and the Xiamen city government⁽⁷⁾.

We commenced our property development business in 1994 and have 18 projects at various stages of development located in Xiamen, Shanghai, Fuzhou and Hefei. As of August 31, 2009, we had completed eight projects with a total site area of approximately 191,958 sq.m. and an aggregate GFA of approximately 924,316 sq.m. As of August 31, 2009, we had ten projects under development with a total site area of approximately 1,734,116 sq.m. and an aggregate GFA of approximately 3,143,127 sq.m. We have obtained land use rights certificates for the land for each of these ten projects.

In 2006, 2007, 2008 and the six months ended June 30, 2009, we delivered a total GFA of approximately 16,127 sq.m., 143,439 sq.m., 193,030 sq.m. and 137,013 sq.m., respectively, generating revenue from property development of approximately RMB86.9 million, RMB1,050.1 million, RMB1,716.5 million and RMB1,285.3 million, respectively. Our revenue generated from property development during the three years ended December 31, 2008 and the six months ended June 30, 2009 was generated primarily from sales of residential properties and, to a lesser extent, from sales of retail properties and car park spaces. Revenue generated from sales of residential properties accounted for approximately 43.4%, 75.0%, 94.1% and 99.9% of our revenue generated from property development in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. Revenue generated from sales of residential properties accounted for a smaller portion of revenue generated from property development in 2006 because we did not complete and deliver any new projects or project phases and sold relatively more retail properties and car park spaces in existing projects or project phases in 2006. In 2006, 2007, 2008 and the six months ended June 30, 2009, our profit for the period was approximately RMB11.9 million, RMB377.5 million, RMB369.1 million and RMB974.4 million, respectively.

We intend to continue to focus on property developments in Fujian while pursuing a strategy of prudent growth by expanding into other PRC property markets that may present higher-growth potential, such as Shanghai and Hefei. We intend to continue to focus primarily on the development of residential properties while diversifying our property mix by increasing our commercial property development in the future.

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- (4) The Enterprise Research Institute of the Development Research Center of the State Council is mainly engaged in conducting studies on the theories and policies regarding the systems, organizations, development, competition and expansion of enterprises, the issues arising from or in connection with the restructuring of enterprises and the improvement of ownership structures and productivity, and the issues and policies with respect to the development, incentives, monitoring, mergers, acquisitions and bankruptcy of enterprises. It also provides services for government agencies and enterprises based on the results of its research on various theories, policies and practices. It is an Independent Third Party.
- (5) The Institute of Real Estate Studies of Tsinghua University conducts research on issues affecting the development process, real estate finance and investment, real estate asset management, urban and real estate economics and property valuation. Faculties associated with the Institute are drawn from the School of Civil Engineering, School of Economic Management and School of Architecture at Tsinghua University. Its research topics include real estate development, valuation, investment and financing, property management, urban land utilization and management. It is an Independent Third Party.
- (6) China Index Academy is a research institution organized by multiple experts and academic entities including China Real Estate Index System, Soufun Research Academy, China Villa Index System and China Real Estate Top 10 Research Team to provide all-around services relating to the commercial economy in the PRC. The Academy conducts studies and provides research and advisory services on various topics relating to the real estate market and market participants. It is an Independent Third Party.
- (7) We were issued the “Famous Brand” certificates by the Fujian provincial government in 2007 and the Xiamen city government in 2003, respectively. The certificate from the Fujian provincial government will expire in 2010. The certificate from the Xiamen City government was renewed in 2009 and will expire in 2012.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe we have the following principal competitive strengths:

- One of the leading Fujian-based property developers, with a strong focus in Xiamen
- High-quality projects and innovative products
- Diversified property portfolio
- Well-recognized brand, effective marketing and comprehensive after-sales services
- Effective quality control and cost management
- Experienced and stable management team

Please see “Business — Our Competitive Strengths” for more details.

OUR STRATEGIES

Our strategies to achieve our goals include the following:

- Strengthen our position as one of the leading Fujian-based property developers and leverage our expertise to expand into the southeastern region of China
- Continue to capitalize on and enhance our “Yuzhou” brand name and customer loyalty by developing high-quality and innovative projects
- Continue to pursue property diversification and increase our proportion of investment properties
- Continue to expand our land bank in a disciplined manner
- Adopt international industry best practices and maintain an efficient organizational structure

Please see “Business — Our Strategies” for more details.

SUMMARY

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our combined financial information for the periods and as of the dates indicated. This summary is derived from, and should be read in conjunction with, our audited combined financial information included in the Accountants’ Report in Appendix I to this document.

Selected combined income statements data:

	For the year ended December 31,						For the six months period ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB'000, except percentages)									
	(Unaudited)									
Revenue	92,570	100.0%	1,083,729	100.0%	1,759,803	100%	1,612,805	100%	1,308,261	100%
Cost of sales	(50,465)	(54.5)	(828,563)	(76.5)	(1,010,236)	(57.4)	(940,009)	(58.3)	(675,720)	(51.6)
Gross profit	42,105	45.5	255,166	23.5	749,567	42.6	672,796	41.7	632,541	48.4
Other income and gains	10,398	11.2	329,699	30.4	6,499	0.4	1,945	0.1	2,514	0.2
Selling and marketing expenses	(7,401)	(8.0)	(41,382)	(3.8)	(42,398)	(2.4)	(27,006)	(1.7)	(24,630)	(1.9)
Administrative expenses	(27,632)	(29.9)	(52,699)	(4.9)	(61,396)	(3.5)	(36,830)	(2.2)	(27,936)	(2.1)
Other expenses	(1,593)	(1.7)	(2,480)	(0.2)	(24,357)	(1.4)	(4,512)	(0.3)	(2,344)	(0.2)
Fair value gains on investment properties	840	0.9	73,396	6.8	108,088	6.1	47,910	3.0	932,094	71.2
Finance costs	—	—	(1,299)	(0.1)	(12,854)	(0.7)	(7,750)	(0.5)	(514)	(0.0)
Profit before tax	16,717	18.0	560,401	51.7	723,149	41.1	646,553	40.1	1,511,725	115.6
Tax	(4,783)	(5.1)	(182,886)	(16.9)	(354,053)	(20.1)	(313,731)	(19.5)	(537,332)	(41.1)
Profit for the year/period	11,934	12.9%	377,515	34.8%	369,096	21.0%	332,822	20.6%	974,393	74.5%
Attributable to:										
Our equity holders	8,160	8.8	376,898	34.7	292,178	16.6	273,670	16.9	977,053	74.7
Minority interests	3,774	4.1	617	0.1	76,918	4.4	59,152	3.7	(2,660)	(0.2)
	11,934	12.9%	377,515	34.8%	369,096	21.0%	332,822	20.6%	974,393	74.5%
Earnings per share attributable to our equity holders	N/A		N/A		N/A		N/A		N/A	

Selected combined statements of financial position data:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB’000)			
Non-current assets	442,963	1,988,674	2,232,621	3,198,272
Current assets	3,860,184	5,363,086	5,040,844	5,251,340
Current liabilities	3,359,971	5,331,842	4,678,395	5,302,363
Net current assets/(liabilities)	500,213	31,244	362,449	(51,023)
Total assets less current liabilities	943,176	2,019,918	2,595,070	3,147,249
Non-current liabilities	635,210	1,241,103	1,581,830	1,166,768
Net assets	307,966	778,815	1,013,240	1,980,481
Total equity	307,966	778,815	1,013,240	1,980,481

SUMMARY

Selected combined cash flow data:

	For the year ended December 31,			For the six months ended June 30,	
	2006	2007	2008	2008	2009
			(RMB'000)		
				(Unaudited)	
Net cash inflow/(outflow) from operating activities	(308,096)	(924,040)	(106,833)	(23,083)	1,111,993
Net cash outflow from investing activities	(390,615)	(676,008)	(142,966)	(84,217)	(74,416)
Net cash inflow/(outflow) from financing activities	772,831	1,534,915	304,893	139,538	(770,125)

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we recorded fair value gains on our completed investment properties, net of deferred tax effect, amounting to approximately RMB0.6 million, RMB55.0 million, RMB81.1 million and RMB699.1 million, respectively, in our combined income statements. In accordance with Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property” issued by the Hong Kong Institute of Certified Public Accountants, completed investment properties may be accounted for by using either the fair value model or the cost model. We have chosen to state completed investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our completed investment properties. Our use of the fair value model to account for completed investment properties at their fair values is consistent with our accounting policy as set out in the Accountants’ Report in Appendix I to this document and complies with the requirements of HKAS 40 “Investment Property”. However, prospective investors should be aware that upward adjustments in fair value which reflect, among other things, unrealized capital gains in the value of our completed investment properties at the relevant reporting dates, are not profit generated from day-to-day rental or other income from our completed investment properties, are largely dependent on the conditions prevailing in the property markets and do not generate cash inflow to our Group for dividend distribution to our Shareholders unless such completed investment properties are disposed of and the capital gains are realized. Moreover, prospective investors should be aware that property values are subject to market fluctuations and we cannot assure you that our Group will be able to continue to record favorable fair value adjustments on completed investment properties in similar amounts, or at all, in the future. Should there be any downward fair value adjustments on our completed investment properties in the future, our business, results of operations and financial condition may be materially and adversely affected.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Profit Forecast for the Year Ending December 31, 2009

The Directors believe that, on the basis and assumptions set out in “Profit Forecast” in Appendix III to this document and in the absence of unforeseen circumstances, our forecast combined profit attributable to shareholders of our Company for the year ending December 31, 2009 is unlikely to be less than RMB1,072.4 million (HK\$1,217.4 million). The profit forecast has been prepared by the Directors based on (i) the audited combined results of our Group for the six months ended June 30, 2009, (ii) the unaudited combined results of our Group for the two months ended August 31, 2009 and (iii) our forecast of the combined results of our Group for the remaining four months ending December 31, 2009 on the basis that the current Group structure had been in existence throughout the whole financial year ending December 31, 2009.

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Substantially all of our forecast revenue for the four months ending December 31, 2009 is expected to be attributable to sales of properties in Phase II of Yuzhou Jinqiao International. The construction of Phase II of Yuzhou Jinqiao International was completed in May 2009 and we began delivering properties in such project phase in the second half of 2009. All properties in such project phase delivered or to be delivered during the four months ending December 31, 2009 were delivered or are expected to be delivered pursuant to sale agreements executed on or prior to June 30, 2009.

<u>Forecast</u>	<u>RMB (in millions)</u>
Combined profit attributable to our equity holders (before fair value gains on investment properties (net of deferred tax effect))	373.3
Fair value gains on investment properties	932.1
Provision for deferred tax liabilities	233.0
Fair value gains on investment properties (net of deferred tax effect)	699.1
Combined profit attributable to our equity holders after fair value gains on investment properties, net of deferred tax effect	1,072.4

Bases and Assumptions on Forecast Fair Value Gains on Investment Properties

The forecast profit after forecast fair value gains on our investment properties (net of deferred tax effect) of RMB699.1 million is RMB1,072.4 million. Such fair value gains on our investment properties have been estimated on the basis of projected valuations at December 31, 2009 estimated by the Directors according to a basis of valuation which is, as far as practicable, consistent with the basis of valuation which has been adopted by our Property Valuer in valuing our properties for the purposes of our audited combined financial information for the six-month period ended June 30, 2009 and the Property Valuation in Appendix V to this document. The investment properties were valued by our Property Valuer as of August 31, 2009.

In valuing our investment properties, the Directors have used the investment method by capitalizing the current rent passing derived from the existing tenancies with due provisions for reversionary income potential, or where appropriate, the direct comparison method by making reference to comparable sales evidence as available in the relevant market.

Accordingly, we have forecast the fair value of our investment properties as of December 31, 2009 to be RMB2,035.3 million. We expect that the fair value of our investment properties as of December 31, 2009, and in turn any fair value gains on investment properties, will continue to be dependent on market conditions and other factors that are beyond our control, and are based on the valuation performed by an independent professional property valuer, involving the use of assumptions that are, by their nature, subjective and uncertain.

Material assumptions we have adopted include:

- 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 our Group operates.

SUMMARY

- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- 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.

Such specific assumptions are consistent with the approach undertaken by our Property Valuer as described in Appendix V to this document.

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as of December 31, 2009, and our Property Valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate. The bases and assumptions on which our profit forecast has been arrived at are set out in the Profit Forecast in Appendix III to this document.

Fair Value Gains on Investment Properties by Projects

The forecast profit of RMB1,072.4 million for the year ending December 31, 2009 includes the forecast fair value gains on our investment properties. The forecast fair value gains on our investment properties, net of deferred tax effect, for the year ending December 31, 2009 is RMB699.1 million. No cash inflow will be generated from any such fair value gains.

	For the six months ended June 30, 2009	For the year ending December 31, 2009
	(RMB'000)	
The Mall at Phase I of Yuzhou World Trade Center	109,500	109,500
The Mall at Phase II of Yuzhou World Trade Center	441,047	441,047
Phase II of Yuzhou Jinqiao International	41,016	41,016
Yuzhou Golden Seacoast	107,508	107,508
Change in fair value recognized during the year/period	<u>699,071</u>	<u>699,071</u>

SUMMARY

Sensitivity Analysis

The following table illustrates the sensitivity of the forecast combined profit attributable to equity holders of our Company to levels of revaluation increase/(decrease) on investment properties (net of deferred tax effect) for the year ending December 31, 2009:

Changes in valuation of investment properties compared to the estimated revaluation increase/ (decrease) on investment properties of RMB2,035.3 million	5%	10%	15%	(5)%	(10)%	(15)%
Impact on the forecast combined profit attributable to equity holders of our Company (RMB'000)	76,324	152,647	228,971	(76,324)	(152,647)	(228,971)

If the estimated fair value of our investment properties rises/declines by 5%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,148.7 million/RMB996.1 million, respectively, i.e. 7.1% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of our investment properties rises/declines by 10%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,225.1 million/RMB919.8 million, respectively, i.e. 14.2% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of our investment properties rises/declines by 15%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,301.4 million/RMB843.4 million, respectively, i.e. 21.4% higher/lower, respectively, than the targeted forecast profit.

The above sensitivity illustrations are intended for reference only, and any variation could be different from and could exceed or fall short of the ranges given. The above sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in the level of revaluation of investment properties. The profit forecast is subject to further and additional uncertainties generally. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value gains on our investment properties for the year ending December 31, 2009, the actual fair value gains or losses on our investment properties for that year may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control.

SUMMARY

RISK FACTORS

There are certain risks and considerations relating to our business, property development in the PRC and business operations in the PRC. These risk factors are set out in the section headed “Risk Factors” in this document and are summarized as follows.

Risks Relating to Our Business

- Our business is susceptible to fluctuations in the property market in China, particularly that of Xiamen, which may adversely affect our revenues and results of operations.
- Our business depends on the availability of an adequate supply of sites and our ability to successfully tender for land and obtain land use rights and other necessary PRC Government approvals for our future developments and the payment terms for land use rights with respect to land we acquire in the future will be subject to more restrictive regulation recently promulgated by the PRC Government.
- We may not have adequate resources to fund land acquisitions or property developments or to service our financing obligations.
- Our business is sensitive to the current global economic crisis. A severe or prolonged downturn in the global economy could materially and adversely affect our business and results of operations.
- Our results of operations include fair value gains on investment properties, which are unrealized.
- We provide guarantees over mortgage loans given by banks to purchasers of our properties which may materially and adversely affect our results of operations and financial condition if we are required to honor the guarantees.
- Changes to laws and regulations with respect to pre-sale may materially and adversely affect our business, cash flow position and financial condition.
- We are exposed to pre-sale related contractual and legal risks.
- We had net cash outflows from operating activities in 2006, 2007 and 2008, had net current liabilities as of June 30 and August 31, 2009, maintain a substantial level of indebtedness and have substantial committed future capital expenditures, all of which may materially and adversely affect our liquidity and results of operations.
- Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period.
- We may not be successful in leveraging our past experience in residential property development in expanding into our new hotel and investment property businesses.
- We may not be able to leverage our previous experience in property development in expanding into other cities.

SUMMARY

- Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, the hotel management partner that manages our hotel.
- Our objectives may conflict from time to time with the objectives of our hotel management partner, which may materially and adversely impact the operations and profitability of our hotel.
- We are subject to legal and business risks if our project companies fail to obtain or renew their qualification certificates.
- We may become involved, from time to time, in legal and other proceedings arising out of our operations and may face significant liabilities as a result.
- Our ability to sell our properties is partly affected by our customers’ ability to procure bank mortgages.
- We are subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect our operations.
- Any unauthorized use of our brand or trademark may adversely affect our business.
- Our success depends on the continuing services of our senior management team and other key personnel.
- We rely on independent contractors to provide property development products and services.
- Our business, financial condition and results of operations may be materially and adversely affected if we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience material delays in obtaining, PRC Government approvals or certificates for our property developments.
- We may not be able to complete our development projects on time or at all.
- Property owners may terminate our engagement as the provider of property management services.
- We may suffer losses arising from uninsured risks.
- 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.
- 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.

Risks Relating to the PRC Real Estate Industry

- The PRC Government may adopt further measures to curtail the overheating of the property sector.

SUMMARY

- The PRC Government has recently implemented restrictions on the ability of PRC property developers to obtain offshore financing.
- The property market in the PRC is at an early stage of development and is volatile.
- The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations.
- We face intense competition from other real estate developers.
- We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner.
- The illiquidity of investment properties and the lack of alternative uses of investment properties could limit our ability to respond to adverse changes in the performance of our properties.
- We may be required to bear resettlement costs associated with our property developments.
- We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts.
- Potential liability for environmental problems could result in substantial costs.

Risks Relating to Business Operations in the PRC

- PRC economic, political and social conditions as well as government policies could affect our business.
- Restrictions on currency exchange may limit our ability to utilize our revenue effectively.
- We are subject to risks presented by fluctuations in foreign currencies.
- Interpretation of PRC laws and regulations involves uncertainty.
- The discontinuation of any preferential tax treatment currently available to us and the increase in the PRC enterprise income tax could decrease our net income and materially and adversely affect our financial condition and results of operations.
- We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.
- The national and regional economies in China may be adversely affected by an outbreak of epidemics such as swine or avian flu and Severe Acute Respiratory Syndrome, thereby affecting our prospects.

DEFINITIONS

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

“affiliate”	any person or entity that directly or indirectly controls, is controlled by, or is under direct or indirect common control with, another person or entity
“Anhui Huaqiaocheng Co.”	Anhui Overseas City Construction & Development Co., Ltd. (安徽華僑城建設發展有限公司), a limited liability company established in the PRC on March 31, 2004. Anhui Huaqiaocheng Co. is currently wholly-owned by Fung Chow Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, constitute all the directors of Anhui Huaqiaocheng Co.
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on October 9, 2009 and as amended, supplemented or otherwise modified from time to time
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board of Directors” or “Board”	the board of directors of our Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“BVI Co.”	Yuzhou International Holdings Company Limited (禹洲國際控股有限公司), a company established in the British Virgin Islands on April 23, 2008 with limited liability, which is wholly-owned by our Company
“Capitalization Issue”	the issue of 993,600,942 Shares to be made upon capitalization of an amount of HK\$99,360,094.20 standing to the credit of the share premium account of our Company referred to in “A. Further Information about our Company — Written resolutions of the Company’s shareholders” in Appendix VII to this document

DEFINITIONS

“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Commercial Property” or “Commercial Properties”	office and retail property
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Yuzhou Properties Company Limited (禹洲地產股份有限公司), an exempted company incorporated in the Cayman Islands on April 23, 2008 with limited liability, which is owned as to 50% by Mr. Lam Lung On and as to 50% by Ms. Kwok Ying Lan
“connected person”	has the meaning ascribed to it under the Listing Rules
“construction land planning permit”	construction land planning permit (建設用地規劃許可證), a permit issued by local urban-rural zoning and planning bureaus or equivalent authorities in the PRC
“construction works planning permit”	construction works planning permit (建設工程規劃許可證), a certificate issued by local urban-rural zoning and planning bureaus or equivalent authorities in the PRC
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	Mr. Lam Lung On and Ms. Kwok Ying Lan
“Dashijie Co.”	Fujian Big World Huaxia Real Estate Development Co., Ltd.* (福建大世界華夏房地產有限公司), a limited liability company established in the PRC on January 28, 1999. Dashijie Co. is currently wholly-owned by Yingfeng Co., and mainly engages in property development and management. It is a 80%-owned subsidiary of our Group. Our Director Mr. Lin Conghui serves as the sole director of Dashijie Co.
“Director(s)”	the director(s) of our Company

DEFINITIONS

“EIT”	PRC Enterprise Income Tax (中華人民共和國企業所得稅)
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted on March 16, 2007 and effective on January 1, 2008
“Fengzhou Group Co.”	Fung Chow Holdings Limited (豐洲集團有限公司), a limited liability company established in Hong Kong on December 14, 2001. Fengzhou Group Co. is currently owned as to 60% by Fung Chow Co., as to 30% by Sanfull Investment Limited and as to 10% by Fengnin Investment Company Limited, respectively. Fengzhou Group Co. mainly engages in investment holding. It is a 60%-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui, also serve as four of the seven directors of Fengzhou Group Co.
“Fengzhou Investment Co.”	Xiamen Fengzhou Real-Estate Co., Ltd. (廈門豐洲置業有限公司), a limited liability company established in the PRC on October 10, 2000. Fengzhou Investment Co. is currently wholly-owned by Fengzhou Group Co., and mainly engages in property investment and management. It is a 60%-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui, also serve as four of the seven directors of Fengzhou Investment Co.
“Fujian Oriental Venice Co.”	Fujian Oriental Venice Leisure Development Co., Ltd.* (福建東方威尼斯休閒娛樂發展有限公司), a limited liability company established in the PRC on April 20, 2006. Fujian Oriental Venice Co. was wholly-owned by Dashijie Co., and completed its cancellation of registration with Fuzhou Administration for Industry and Commerce on August 7, 2008
Fujian Wanlong Leisure Co.	Fujian Wanlong Leisure Co., Ltd. (福建萬龍農莊休閒觀光有限公司), a limited liability company established in the PRC on April 15, 2004. Fujian Wanlong Leisure Co. was wholly-owned by Dashijie Co., and completed its cancellation of registration with Fuzhou Administration for Industry and Commerce on August 7, 2008
“Fujian Yanhai Co.”	Goastal Greenland Development (Fujian) Limited (沿海綠色家園發展(福建)有限公司), a limited liability company established in the PRC on January 11, 1991. Fujian Yanhai Co.

DEFINITIONS

is currently wholly-owned by Xingzhou Co., and mainly engages in property development and management. It is a 60%-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui, also serve as four of the seven directors of Fujian Yanhai Co.

“Fung Chow Co.”

Hong Kong Fung Chow Investment Limited (香港豐洲投資有限公司), a limited liability company established in Hong Kong on November 29, 2000. Fung Chow Co. is currently wholly-owned by BVI Co., and mainly engages in investment holding. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On and Ms. Kwok Ying, Lan constitute all the directors of Fung Chow Co.

“Gangli Decoration Co.”

Gangli Decoration Design Engineering Limited (港麗裝飾設計工程有限公司), a limited liability company established in Hong Kong on August 30, 2007. Gangli Decoration Co. is currently wholly-owned by Philippines International, and has been inactive both during the three years ended December 31, 2008 and the six months ended June 30, 2009 and up to present. It is a wholly-owned subsidiary of our Group. Ms. Huang Shunu, the sister-in-law of our Controlling Shareholders, serves as the sole director of Gangli Decoration Co.

“Gangyi Capital Co.”

Xiamen Gangyi Capital Company Limited* (廈門港誼投資有限公司), a limited liability company established in the PRC on January 7, 2008, which is 95% owned by Ms. Ye Biyun (on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan) and 5% owned by Mr. Lin Conghui (on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan), and mainly engages in telecom investment and development. It does not form a part of our Group. Ms. Ye Biyun (mother-in-law of Mr. Lam Lung On (our Controlling Shareholder) and Mr. Lin Longzhi (our Director) and mother of Ms. Kwok Ying Lan (our Controlling Shareholder)) serves as the sole director of Gangyi Capital Co.

“Gangyi Communications Co.”

Xiamen Gangyi Communications Co., Ltd.* (廈門港誼通訊有限公司), a limited liability company established in the PRC on August 31, 2006. Gangyi Communications Co. is currently wholly-owned by Gangyi Investment Co., and mainly engages in telecom design, construction, sales and management. It has been inactive during the three years ended December 31, 2008 and the six months ended June 30, 2009

DEFINITIONS

and up to present. It is a wholly-owned subsidiary of our Group. Our Director, Mr. Lam Lung On, also serves as the sole director of Gangyi Communications Co.

“Gangyi Investment Co.”

Xiamen Ganyi Real-Estate Co., Ltd. (廈門港誼置業有限公司), a limited liability company established in the PRC on April 8, 2005. Gangyi Investment Co. is currently wholly-owned by Fung Chow Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Mr. Lin Longzhi and Mr. Lin Conghui, constitute all the directors of Gangyi Investment Co.

“Gangyi Realty Co.”

Xiamen Gangyi Real Estate Marketing Agent Co., Ltd. (廈門港誼房產營銷代理有限公司), a limited liability company established in the PRC on July 4, 2007. Gangyi Realty Co. is currently wholly-owned by Hong Kong Yuzhou Group, and has been inactive during the three years ended December 31, 2008 and the six months ended June 30, 2009 and up to present. It is a wholly-owned subsidiary of our Group. A member of our senior management, Ms. Chen Saihong, serves as the executive director of Gangyi Realty Co.

“GFA”

gross floor area, a standard measurement used in the real estate development industry, which includes saleable GFA, non-saleable GFA and car park spaces. “Saleable GFA” represents the GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project. “Non-saleable GFA” represents the GFA of a property which is not for sale and largely includes ancillary facilities such as clubhouses and schools

“Group”, “our Group”, “we” or “us”

our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their predecessors

“Guifeng Co.”

Xiamen Richville Development Ltd. (廈門貴豐房地產開發有限公司), a limited liability company established in the PRC on November 19, 1992. Guifeng Co. is

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	currently wholly-owned by Fung Chow Co., and mainly engages in property investment and management. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, constitute all the directors of Guifeng Co.
“Hai Tian Co.”	Xiamen Skyplaz Realty & Development Co., Ltd. (廈門海天房地產開發有限公司), a limited liability company established in the PRC on June 16, 1993. Hai Tian Co. is currently owned as to 95% by Fung Chow Co. and as to 5% by Yuzhou Development Co., respectively, and mainly engages in the construction and development of Yuzhou Hai Tian Plaza and is expected to engage in the development of F1 Plaza. It is a wholly-owned subsidiary of our Group. Our Directors, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui, constitute all the directors of Hai Tian Co.
“Hefei Yuzhou Co.”	Hefei Yuzhou Real Estate Development Co., Ltd. (合肥禹洲房地產開發有限公司), a limited liability company established in the PRC on August 1, 2006. Hefei Yuzhou Co. is currently wholly-owned by Fung Chow Co., and mainly engages in property development, property management and interior decoration. It is a wholly-owned subsidiary of our Group. Our Director, Mr. Lam Lung On, also serves as the sole director of Hefei Yuzhou Co.
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollar”, “HK dollar” or “HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong Yuzhou Group”	Yuzhou Group (H.K.) Company Limited (禹洲集團(香港)有限公司), a limited liability company established in Hong Kong on March 8, 2005. Hong Kong Yuzhou Group is currently wholly-owned by BVI Co., and mainly engages in investment holding. It is a wholly-owned subsidiary of our

DEFINITIONS

Group. Our Directors, Mr. Lam Lung On and Ms. Kwok Ying Lan, constitute all the directors of Hong Kong Yuzhou Group.

“Huaqiaocheng Properties Co.”	Xiamen Huaqiao City Real Estate Management Service Co., Ltd.* (廈門華僑城物業經營服務有限公司), a limited liability company established in the PRC on May 22, 1997. Huaqiaocheng Properties Co. is currently wholly-owned by Yuzhou Co., and mainly engages in property management and service. It is a wholly-owned subsidiary of our Group. Our Director, Mr. Lin Conghui, also serves as the sole director of Huaqiaocheng Properties Co.
“IFPRA”	the International Federation of Parks and Recreation Administration, an Independent Third Party
“Independent Third Party(ies)”	a person(s) or company(ies) who or which is or are independent of, and not connected with, any Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or any of their respective associates
“Injection of Residual Properties”	the sale of the Residual Properties by the Lam Family Group to our Group at a price to be determined with reference to an independent valuation of the Residual Properties concerned, details of which are set out in “— Non-Competition Undertakings from our Controlling Shareholders”
“Jinguoji Co.”	Xiamen Kim International Realty Development Co., Ltd. (廈門金國際地產發展有限公司), a limited liability company established in the PRC on July 13, 1994. Jinguoji Co. is currently wholly-owned by Philippines International and is mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui also serve as four of the five directors of Jinguoji Co.
“Kangli Co.”	Hefei Kangli Realty Co., Ltd.* (合肥市康麗置業有限公司), a limited liability company established in the PRC on December 27, 2005. Kangli Co. is currently wholly-owned by Anhui Huaqiaocheng Co., and mainly engages in property sales, development and management. It is a wholly-owned subsidiary of our Group. Our Director Ms. Kwok Ying Lan also serves as the sole director of Kangli Co.
“Kangtai Co.”	Shanghai Kangtai Real Estate Development Co., Ltd.* (上海康泰房地產開發有限公司), a limited liability company

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established in the PRC on January 18, 1993. Kangtai Co. is currently wholly-owned by Yuzhou Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors Ms. Kwok Ying Lan and Mr. Lin Longzhi also serve as two of the three directors of Kangtai Co.

“Kangtai Properties Co.”

Shanghai Kangtai Property Management Co., Ltd.* (上海康泰物業管理有限公司), a limited liability company established in the PRC on July 10, 2007. Kangtai Properties Co. is currently wholly-owned by Kangtai Co., and mainly engages in property management. It is a wholly-owned subsidiary of our Group. A member of our senior management, Mr. Ling Longguo, serves as the sole director of Kangtai Properties Co.

“Lam Family Group”

Mr. Lam Lung On (our Controlling Shareholder), Mr. Lam Wang Yu (son of our Controlling Shareholders) and Ms. Huang Shunu (sister-in-law of our Controlling Shareholders)

“Lam Family Group’s Retail Properties”

retail properties which are owned by the Lam Family Group and located on the ground floor or lower floors of certain residential properties within three property developments in Xiamen, China, namely Phases I and II of Yuzhou Overseas City, Phase I of Yuzhou Harbour City and Phase I of Yuzhou Garden

“land use rights certificate”

state-owned land use rights certificate (國有土地使用證), a certificate (or certificates as the case may be) of the right of a party to use a parcel of land

“LAT”

Land Appreciation Tax (土地增值稅), as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》), as described in Appendix IV to this document

“Latest Practicable Date”

October 9, 2009, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Liyade Co.”	Shanghai Liyade Property Investment Co., Ltd.* (上海利雅得投資置業有限公司), a limited liability company established in the PRC on February 12, 2004. Liyade Co. is currently wholly-owned by Yuejiang Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors, Ms. Kwok Ying Lan, Mr. Lin Longzhi and a member of our senior management Mr. Lin Longguo, constitute all the directors of Liyade Co.
“Ludong Co.”	Hefei Ludong Real Estate Development Co., Ltd.* (合肥廬東房地產開發有限責任公司), a limited liability company established in the PRC on January 16, 2006. Ludong Co. is currently owned as to 95% by Anhui Huaqiaocheng Co., and as to 5% by Yuzhou Development Co., and mainly engages in property development. It is a wholly-owned subsidiary of our Group. Our Director Mr. Lin Conghui also serves as the sole director of Ludong Co.
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted upon incorporation and as amended, supplemented or otherwise modified from time to time
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
“Mr. Lam Lung On”	Mr. LAM Lung On (林龍安), a Controlling Shareholder, the chairman and a Director. He is the spouse of Ms. Kwok Ying Lan
“Ms. Kwok Ying Lan”	Ms. KWOK Ying Lan (郭英蘭), a Controlling Shareholder, a Director and the general manager. She is the spouse of Mr. Lam Lung On

DEFINITIONS

“Overlapping Projects”	the two residential property developments developed by our Group, namely Yuzhou Harbour City and Yuzhou Garden, in which our Group and the Lam Family Group simultaneously hold certain retail properties for leasing purposes
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pearl River Delta Area”	Guangdong Province
“Philippines International”	Kim International Realty and Development Company Limited (菲律賓國際地產發展有限公司), a limited liability company established in Hong Kong on August 27, 1992. Philippines International is currently wholly-owned by Fung Chow Co., and mainly engages in investment holding. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On and Ms. Kwok Ying Lan, constitute all the directors of Philippines International
“PRC” or “China”	the People’s Republic of China and, except where the context requires and only for the purposes of this document, references in this document to the PRC or China do not include Taiwan, Hong Kong or the Macao Special Administrative Region of the PRC
“PRC Government” or “State”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“pre-sale permit”	pre-sale permit (商品房預售許可證), a permit authorizing a developer to start the pre-sale of property under construction
“Property Valuer”	DTZ Debenham Tie Leung Limited, an independent professional property valuer
“Reorganization”	the reorganization arrangements undertaken by our Group, which is described in more detail in the section headed “History, Reorganization and Group Structure” in this document
“Reporting Accountants”	Ernst & Young

DEFINITIONS

“Residual Properties”	the portion of the Lam Family Group’s Retail Properties which have not been sold by the Lam Family Group to Independent Third Parties during the six months immediately following the Reorganization
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of PRC (中華人民共和國國家外匯管理局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Yanhai Co.”	Shanghai Yanhai Real Estate Development Co., Ltd.* (上海燕海房地產開發經營有限責任公司), a limited liability company established in the PRC on December 25, 1992. Shanghai Yanhai Co. is currently wholly-owned by Yuejiang Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, constitute all the directors of Shanghai Yanhai Co.
“Shanghai Yuzhou Hotel Co.”	Shanghai Yuzhou Hotel Management Co., Ltd.* (上海禹洲酒店管理有限公司), a limited liability company established in the PRC on March 7, 2007. Shanghai Yuzhou Hotel Co. is wholly-owned by Yuejiang Co., and mainly engages in hotel management, property management and interior decoration. It is a wholly-owned subsidiary of our Group. Our Director Ms. Kwok Ying Lan also serves as the sole director of Shanghai Yuzhou Hotel Co.
“Share(s)”	ordinary shares issued by our Company, with a nominal value of HK\$0.10 each
Shareholder(s)	holder(s) of the Share(s)
“Singapore Diyuan”	Dynasty International (1993) Pte Ltd, a limited liability company established in Singapore on January 14, 1994. Singapore Diyuan is currently wholly-owned by Fung Chow Co., and its principal business is that of investment holding company. It is a wholly-owned subsidiary of our Group. Our Directors Mr. Lam Lung On and Ms. Kwok Ying Lan also serve as two of the three directors of Singapore Diyuan

DEFINITIONS

“sq.m.”	square meter(s)
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder”	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any of our general meetings
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission
“United States” or “U.S.”	the United States of America, including the District of Columbia, its territories and possessions
“US\$”, “USD” or “U.S. dollar”	United States dollar, the lawful currency of the United States
“Wanlong Co.”	Fujian Wanlong Property Management Co., Ltd.* (福建萬龍物業管理服務有限公司), a limited liability company established in the PRC on April 15, 2004. Wanlong Co. is currently wholly-owned by Dashijie Co. It is a 80%-owned subsidiary of our Group. Our employee Ms. Fan Xiaoyan serves as the sole director of Wanlong Co.
“West Strait Economic Zone”	the Taiwan Strait West Coast Economic Zone, including Fujian Province and parts of its surrounding areas in Zhejiang Province, Jiangxi Province and Guangdong Province
“work commencement permit”	work commencement permit (建築工程施工許可證), a permit required for commencement of construction
“Xiamen Diyuan Co.”	Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. (廈門帝元保稅儲運有限公司), a limited liability company established in the PRC on November 17, 1994. Xiamen Diyuan Co. is currently owned as to 98% by Singapore Diyuan, and as to 2% by Xiamen Municipal Kaiyuan State-owned Assets Development Co., Ltd., respectively, and mainly engages in bonded warehouse and entrepot trading and property development. It is a 98%-owned subsidiary of our Group. Our Directors Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui as well as a member of our senior management Li Hongguang also serve as four of the five directors of Xiamen Diyuan Co.

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“Xiamen Huaqiaocheng Co.”	Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司), a limited liability company established in the PRC on September 6, 1999. Xiamen Huaqiaocheng Co. is currently wholly-owned by Fung Chow Co., and mainly engages in the development and management of project Yuzhou Overseas City. It is a wholly-owned subsidiary of our Group. Our Director Mr. Lin Conghui also serves as the sole director of Xiamen Huaqiaocheng Co.
“Xiamen Yuzhou Hotel Co.”	Xiamen Yuzhou Hotel Invest & Manage Co., Ltd. (廈門禹洲酒店投資管理有限公司), a limited liability company established in the PRC on May 24, 2006. Xiamen Yuzhou Hotel Co. is currently owned as to 95% by Fung Chow Co. and as to 5% by Yuzhou Development Co., respectively, and mainly engages in the development and management of hotel property. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, constitute all the directors of Xiamen Yuzhou Hotel Co.
“Xingzhou Co.”	Hongkong Xingzhou Investment Company Limited (香港星洲投資有限公司), a limited liability company established in Hong Kong on April 19, 2004. Xingzhou Co. is currently owned as to 60% by BVI Co., 30% by Chan Chieh Chung and 10% by Chan Kam Lit, respectively. Xingzhou Co. is a connected person of our Company. Xingzhou Co. mainly engages in investment holding. It is a 60%-owned subsidiary of our Group. Our Directors Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui also serve as four of the seven directors of Xingzhou Co.
“Yangtze River Delta Area”	Shanghai Municipality, Jiangsu Province and part of Zhejiang Province
“Yaozhou Co.”	Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司), a limited liability company established in the PRC on March 27, 1998, which is wholly-owned by Hong Kong Yuzhou Group. It is a wholly-owned subsidiary of our Group. Our Director Mr. Lin Longzhi also serves as the sole director of Yaozhou Co.
“Yaozhou Management Co.”	Xiamen Yaozhou Management Company Limited* (廈門堯洲實業有限公司), a limited liability company established in the PRC on May 27, 1999. Yaozhou Management Co. is currently owned as to 95% by Ms. Ye Biyun (on behalf of

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Mr. Lam Lung On and Ms. Kwok Ying Lan) and as to 5% by Mr. Lin Conghui (on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan), respectively. It is an investment holding company and does not form a part of our Group. Ms. Ye Biyun (mother-in-law of our Controlling Shareholder Mr. Lam Lung On and our Director Mr. Lin Longzhi; mother of our other Controlling Shareholder Ms. Kwok Ying Lan) serves as the sole director of Yaozhou Management Co.

“Yingfeng Co.”

Fujian Yingfeng Real Estate Investment Co., Ltd.* (福建盈峰地產投資有限公司), a limited liability company established in the PRC on December 5, 2001. Yingfeng Co. is currently owned as to 80% by Gangyi Communications Co. and as to 20% by Liu Yu, respectively, and mainly engages in investment in properties, construction and social service and investment consultation. It is a 80%-owned subsidiary of our Group. Our Directors Mr. Lin Longzhi, Mr. Lin Conghui and a member of our senior management Ms. Lin Yuhua also serve as three of the five directors of Yingfeng Co.

“Yuejiang Co.”

Shanghai Yuejiang Realty Co., Ltd.* (上海悅江置業有限公司), a limited liability company established in the PRC on March 21, 2005. Yuejiang Co. is currently owned as to 90% by Yuzhou Co. and as to 10% by Kangtai Co., respectively, and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, constitute all the directors of Yuejiang Co.

“Yuzhou Co.”

Xiamen Yuzhou Group Ltd.* (廈門禹洲集團股份有限公司), a limited liability company established in the PRC on December 8, 1994. Yuzhou Co. is currently owned as to 89.96% by Gangyi Investment Co., 5.02% by Guifeng Co. and 5.02% by Jinguoji Co., respectively, and mainly engages in property investment, development and management. It is a wholly-owned subsidiary of our Group. Our Directors Mr. Lin Longzhi and Mr. Lin Conghui and a member of our senior management Mr. Li Hongguang also serve as three of the five directors of Yuzhou Co.

“Yuzhou Commercial Investment Management Co.”

Xiamen Yuzhou Commercial Investment & Management Co., Ltd. (廈門禹洲商業投資管理有限公司), a limited liability company established in the PRC on April 18, 2007. Yuzhou Commercial Investment Management Co. is currently wholly-owned by Hong Kong Yuzhou Group, and mainly engages in commercial

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property management. It is a wholly-owned subsidiary of our Group. Our Director Ms. Kwok Ying Lan also serves as the sole director of Yuzhou Commercial Investment Management Co.

“Yuzhou Development Co.”

Xiamen Yuzhou Property Development Co., Ltd.* (廈門禹洲房地產開發有限公司), a limited liability company established in the PRC on February 25, 1999. Yuzhou Development Co. is wholly-owned by Yuzhou Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Director Mr. Lin Longzhi also serves as the sole director of Yuzhou Development Co.

“Yuzhou Real Estate Investment Co.”

Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司), a limited liability company established in the PRC on June 20, 2006. Yuzhou Real Estate Investment Co. is currently owned as to 95% by Fung Chow Co. and as to 5% by Yuzhou Development Co., and mainly engages in property development and management. It is a wholly-owned subsidiary of our Group. Our Directors, Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, constitute all the directors of Yuzhou Real Estate Investment Co.

“Zongheng Co.”

Xiamen Zongheng Group Property Development Co., Ltd.* (廈門縱橫集團房地產開發有限公司), a limited liability company established in the PRC on August 29, 1996. Zongheng Co. is currently wholly-owned by Yaozhou Management Co., and does not engage in any sale or development of residential, retail or commercial properties. It does not form a part of our Group

“Zongheng Communication Development Co.”

Xiamen Zongheng Group Communication Development Co., Ltd.* (廈門縱橫集團通信發展有限公司), a limited liability company established in the PRC on March 15, 1996. Zongheng Communication Development Co. is currently owned as to 95% by Zongheng Technology Co. and 5% by Zongheng Group. It does not engage in any sale or development of residential, retail or commercial properties. It does not form a part of our Group

“Zongheng Communication Management Co.”

Xiamen Zongheng Group Communication Management Co., Ltd.* (廈門縱橫集團置業有限公司), a limited liability company established in the PRC on June 29, 2000. Zongheng Communication Management Co. is currently owned as to 95%

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by Zongheng Group and 5% by Zongheng Technology Co. It does not engage in any sale or development of residential, retail or commercial properties. It does not form a part of our Group

“Zongheng Group”

Xiamen Zongheng Group Co., Ltd. (廈門縱橫集團股份有限公司), a limited liability company established in the PRC on January 6, 1996. Zongheng Group is currently owned as to 99.99% by Gangyi Capital Co. and as to 0.01% by Ms. Fu Miaoling, respectively. It engages in various aspects of the provision of communication services and does not engage in any sale or development of residential, retail or commercial properties. It does not form a part of our Group

“Zongheng Technology Co.”

Xiamen Zongheng Group Technology Co., Ltd.* (廈門縱橫集團科技股份有限公司), a limited liability company established in the PRC on December 18, 1996. Zongheng Technology Co. is currently owned as to 73.95% by Zongheng Group, 22.1% by Xiamen Zongheng Group Construction Development Co., Ltd, 1% by Xiamen Yellow Page Information Advertisement Co., Ltd., 1.95% by Xiamen Post and Telecommunication Zongheng Hotel Co., Ltd and 1% by Xiamen Zongheng Group Communication Service Co., Ltd. It does not engage in any sale or development of residential, retail or commercial properties. It does not form a part of our Group

“%”

per cent

The English names of the PRC entities which are marked by an asterisk are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

For the purpose of illustration only and unless otherwise specified in this document, amounts denominated in RMB have been translated into HK\$ at the rate of RMB0.8809 = HK\$1.00, the exchange rate set by the People’s Bank of China for foreign exchange transactions prevailing on October 9, 2009. No representation is made that the RMB amounts could have been, or could be, converted into HK\$, or vice versa, at such rates or at any other rate on such date or on any other date.

Unless otherwise specified, all references to “2006”, “2007” and “2008” are to the years ended December 31, 2006, 2007 and 2008, respectively.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the PRC real estate industry and (iii) risks relating to business operations in the PRC.

RISKS RELATING TO OUR BUSINESS

Our business is susceptible to fluctuations in the property market in China, particularly that of Xiamen, which may adversely affect our revenues and results of operations.

Our business depends substantially on the conditions of the property market in China, particularly in Xiamen. Demand for private residential properties in China has grown rapidly in the past decade but such growth is often accompanied by volatility in market conditions and fluctuations in property prices. For example, following a period of rising property prices and transaction volumes in most major cities from 2003 to 2007, the property market of China experienced a downturn in 2008 which continued into the first quarter of 2009, with transaction volume in many major cities, including Xiamen, declining significantly compared to 2007. Average selling prices also declined in many cities during such period. Fluctuations of supply and demand in China’s property market are caused by economic, social, political and other factors.

Since early 2009, China’s real estate market has rebounded and many cities, including Xiamen, have experienced increases in property prices and transaction volumes. This rebound has coincided with a sharp rise in the volume of bank loans as part of China’s response to the global economic crisis. Bank regulators in China have expressed concern over excessive lending for real estate investments. Excessive development fueled by cheap credit could cause an oversupply of property inventory leading to a significant market correction, which could adversely affect the sales volumes and selling prices of our projects. On the other hand, any efforts by bank regulators to curb excessive lending, if taken too far, might prevent developers from raising funds they need to start new projects. If any of the foregoing occurs, our revenues and results of operations may be materially and adversely affected.

Our business depends on the availability of an adequate supply of sites and our ability to successfully tender for land and obtain land use rights and other necessary PRC Government approvals for our future developments and the payment terms for land use rights with respect to land we acquire in the future will be subject to more restrictive regulation recently promulgated by the PRC Government.

We derive our revenue principally from the sale of properties that we have developed. To secure future revenue, we need to identify and acquire a suitable portfolio of properties for future development at commercially acceptable prices. However, our ability to identify and acquire these sites is subject to a number of factors that are beyond our control.

The PRC Government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC Government towards land supply will affect our ability to acquire land use rights for the sites we have identified for future developments and our land acquisition costs.

RISK FACTORS

The PRC Government regulates the means by which property developers, including us, obtain land for development. In May 2002, the PRC Government introduced regulations requiring that land use rights for residential and commercial property developments be granted by public tender, auction or listing-for-sale. In addition, the PRC Government may also limit the supply of land available for development in the cities in which we have or intend to have an interest. We cannot assure you that we will continue to be successful in tendering or bidding for sites suitable for our future developments at acceptable prices, or at all.

The PRC Government also regulates the manner in which land can be developed. For example, following announcements by the State Council and other related government bodies in late May 2006 concerning new directives to adjust the structure of the PRC residential housing market, the Ministry of Land and Resources made a detailed announcement on May 30, 2006 concerning the restriction of overall land supply for high-end residential property developments, including, in particular, the discontinuation of new land supply for villa projects.

In order to develop and sell property in the PRC, property developers are required to obtain land use rights certificates from relevant PRC Government authorities. As of the Latest Practicable Date, we had obtained land use rights certificates for all of our properties under development and completed properties.

On September 28, 2007, the Ministry of Land and Resources promulgated the Regulation on the Grant of State-owned Land Use Rights for Construction through Competitive Bidding, Auction and Listing-For-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), effective November 1, 2007. This Regulation provides, among other things, that property developers must pay the relevant land premiums in full according to the provisions of the relevant land grant contract for the entire parcel under the land grant contract before they can apply for land registration and obtain a land use rights certificate. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use rights certificate for the corresponding portion of land in order to commence development, which has been the practice in many Chinese cities. The implementation of the regulation will require property developers to maintain a higher level of working capital. We cannot assure you that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of this requirement.

If changes in government policy lead to a reduction in land supply for our future projects, or we are not successful in tendering for land or obtaining the land use rights certificates or the other necessary PRC Government approvals for our projects, our business, financial condition and results of operations may be materially and adversely affected.

We may not have adequate resources to fund land acquisitions or property developments or to service our financing obligations.

We generally fund our development projects through capital contributions from our Shareholders, bank loans and internal cash flows, including proceeds from the pre-sale of our

RISK FACTORS

properties. There is no guarantee that we will always have sufficient funds available to fund all our future property developments.

In relation to bank financing, our ability to arrange adequate financing for our property developments on terms which will enable a particular property development to achieve a reasonable return is dependent on a number of factors, including general economic conditions, our financial strength and performance, credit availability from financial institutions and monetary policies in the PRC generally. The PRC Government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements in general and for property developers in particular, which, among other things, include:

- increasing the reserve requirement ratio for commercial banks several times in 2007 and 2008 to 17.5%, effective from June 25, 2008, which represents the minimum amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. However, effective on September 25, 2008, the PBOC decreased the reserve requirement ratio to 16.5% for commercial banks other than the Industrial and Commercial Bank of China (中國工商銀行), the Agricultural Bank of China (中國農業銀行), the Bank of China (中國銀行), the China Construction Bank (中國建設銀行), the Bank of Communications (中國交通銀行) and the Postal Savings Bank (郵政儲蓄銀行), and to 15.5% for commercial banks in areas hit by the May 12, 2008 earthquake in Sichuan, China. Effective on October 15, 2008, the PBOC further decreased the reserve requirement ratio by 0.5%. Effective on December 5, 2008, the PBOC decided to cut the reserve requirement ratio of the Industrial and Commercial Bank of China (中國工商銀行), the Agricultural Bank of China (中國農業銀行), the Bank of China (中國銀行), the China Construction Bank (中國建設銀行), the Bank of Communications (中國交通銀行) and the Postal Savings Bank (郵政儲蓄銀行), by 1% to 16%, the reserve requirement ratio for the smaller commercial banks by 2% to 14% and adopt a preferential reserve requirement ratio for rural commercial banks and commercial banks in areas hit by the May 12, 2008 earthquake in Sichuan, China. Effective on December 25, 2008, the PBOC decreased the reserve requirement ratio by 0.5%;
- forbidding PRC commercial banks from granting loans to property developers for funding the payments of land premium;
- forbidding PRC commercial banks from granting loans to a property developer if the property developer’s internal funds available for the project are less than 35% of the total estimated capital required for that project;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibiting property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments; and
- restricting PRC commercial banks in financing the development of luxury residential properties.

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We cannot assure you that the PRC Government will not introduce other initiatives which may limit our access to capital. The foregoing and other initiatives introduced by the PRC Government may limit our flexibility and ability to use bank loans or other forms of financing to fund our land acquisitions or property developments and therefore may require us to maintain a relatively high level of internally sourced funds. As a result, our business, financial condition and results of operations may be materially and adversely affected.

As of August 31, 2009, being the latest practicable date to determine our indebtedness, our borrowings amounted to RMB1,273.4 million, of which RMB823.4 million was due within a period not exceeding one year and RMB450.0 million was due within a period of more than one year but not exceeding two years. We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities granted by financial institutions in the future on reasonable terms or at all or that any fluctuation in the interest rate will not affect our ability to fund our property developments. Please also see “— We had net cash outflows from operating activities in 2006, 2007 and 2008, maintain a substantial level of indebtedness and have substantial committed future capital expenditures, all of which may materially and adversely affect our liquidity and results of operations” for more details.

Our business is sensitive to the current global economic crisis. A severe or prolonged downturn in the global economy could materially and adversely affect our business and results of operations.

Recent global market and economic conditions have been unprecedented and challenging with recession in most major economies persisting in 2009. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for economic growth around the world. The difficult economic outlook has negatively affected business and consumer confidence and contributed to market volatility of unprecedented levels.

The Chinese economy also faces challenges. The stimulus plans and other measures implemented by the Chinese government in response to the global economic crisis may not work effectively or quickly enough to maintain economic growth in China or avert a severe economic downturn. If economic growth slows or an economic downturn occurs, our business and results of operations may be materially and adversely affected.

Our results of operations include fair value gains on investment properties, which are unrealized.

In 2006, 2007, 2008 and the six months ended June 30, 2009, we recorded fair value gains on our completed investment properties, net of deferred tax effect, amounting to approximately RMB0.6 million, RMB55.0 million and RMB81.1 million and RMB699.1 million, respectively, in our combined income statements. In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, completed investment properties may be stated by using either the fair value model or the cost model. We have chosen to state completed investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-

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date picture of the value of our completed investment properties. Our use of the fair value model to account for completed investment properties at their fair values is consistent with our accounting policy as set out in the Accountants’ Report in Appendix I to this document and complies with the requirements of HKAS 40 “Investment Property”. However, prospective investors should be aware that upward fair value adjustments, which reflect, among other things, unrealized capital gains in the value of our completed investment properties at the relevant reporting dates are not profit generated from day-to-day rental or other income from our completed investment properties, are largely dependent on the conditions prevailing in the property markets and do not generate cash inflow to our Group for dividend distribution to our Shareholders unless such completed investment properties are disposed of and the capital gains are realized. Moreover, prospective investors should be aware that property values are subject to market fluctuations and we cannot assure you that our Group will be able to continue to record favorable fair value adjustments on completed investment properties in similar amounts, or at all, in the future. Should there be any severe downward fair value adjustments on our completed investment properties in the future, our results of operations may be materially and adversely affected.

We provide guarantees over mortgage loans given by banks to purchasers of our properties which may materially and adversely affect our results of operations and financial condition if we are required to honor the guarantees.

We enter into arrangements with banks to facilitate the provision of mortgage facilities to purchasers of our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers until the earlier of (i) the completion of construction and relevant property ownership certificates being delivered to the purchasers and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers. In our experience, the guarantee periods normally last for up to 24 months. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign its rights under the loan and the mortgage to us and we will have full recourse to the property.

In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees over the mortgage loans of our customers amounted to approximately RMB1,241.0 million, RMB1,688.8 million, RMB1,719.3 million and RMB2,220.2 million, respectively.

During the three years ended December 31, 2008 and the six months ended June 30, 2009, there had been six lawsuits brought by mortgage banks against purchasers who defaulted on their mortgages and our Group as the guarantor of such mortgages, all but three of which were resolved as of the Latest Practicable Date. We had not suffered any financial loss from the resolved defaults as of the Latest Practicable Date because the defaulted purchasers eventually either paid off the mortgages or resumed payments of the mortgages. The claim amount of the lawsuits not resolved as of the Latest Practicable Date was approximately RMB2.3 million. We believe the ultimate outcome of such cases of default will not have a material and adverse effect on our financial condition, results of operation or cash flow. We did not experience any new lawsuits resulting from defaults on residential mortgages guaranteed

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by us during the period between July 1, 2009 and the Latest Practicable Date. As of the Latest Practicable Date, we were not required by the relevant banks to pay the shortfall between the guaranteed mortgages and the market value of the relevant properties. We cannot assure you that defaults will not occur in the future or that we will not suffer any loss due to existing or future defaults. If a significant number of purchasers default on their mortgages and our guarantees are called upon, our results of operations and financial condition could be adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the purchaser or that we cannot sell such properties due to unfavorable market conditions or other reasons.

Changes to laws and regulations with respect to pre-sale may materially adversely affect our business, cash flow position and financial condition.

We depend on pre-sale of properties as an important source of funding for our property projects. There is no assurance that we will be able to continue achieving sufficient pre-sales to fund a particular 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 the development of such properties. Please see “Business — Property Development — Pre-sale” for more details. In August 2005, the PBOC in a report entitled “2004 Real Estate Financing Report” recommended discontinuation of the practice of pre-selling unfinished properties because such practices, in the PBOC’s opinion, create significant market risks and generate transactional irregularities. Although this and similar recommendations have not been adopted by the PRC Government, there can be no assurance that the PRC Government will not adopt such recommendations and ban the practice of pre-selling unfinished properties or implement further restrictions on the pre-sale practice, such as imposing additional conditions for obtaining a pre-sale permit or imposing further restrictions on the use of pre-sale proceeds. Any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining a pre-sale permit or any restriction on our ability to utilize the pre-sale proceeds, including future changes to laws and regulations governing the use of pre-sale proceeds, would extend the time required to recover our capital outlay and could require us to seek alternative means to finance the various stages of our developments, which, in turn, could have an adverse effect on our business, cash flow position and financial condition.

We are exposed to pre-sale related contractual and legal risks.

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any 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 PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you of the timely completion and delivery of our projects.

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We had net cash outflows from operating activities in 2006, 2007 and 2008, had net current liabilities as of June 30 and August 31, 2009, maintain a substantial level of indebtedness and have substantial committed future capital expenditures, all of which may materially and adversely affect our liquidity and results of operations.

We had net cash outflow from operating activities of RMB308.1 million, RMB924.0 million and RMB106.8 million in 2006, 2007 and 2008, respectively. Our property development business experiences net operating cash outflows from time to time, particularly when imbalances occur between the timing of our cash inflows relating to the pre-sale and sale of properties and our cash outflows relating to the construction and development of properties and the purchases of land. We expanded our property development business, including acquisition of land and construction of projects, and incurred cash outflows at a more rapid rate in 2006, 2007 and 2008 than cash inflows from pre-sale and sale of our projects which were eligible for pre-sale or sale during the same period. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future.

We had net current liabilities of RMB51.0 million as of June 30, 2009 as compared to net current assets of RMB362.4 million as of December 31, 2008, partially attributable to the reclassification of non-current bank loans to current liabilities which become repayable within one year from June 30, 2009 and increased expenditure for investment properties under construction during the six months ended June 30, 2009. Our net current liabilities increased to RMB365.7 million as of August 31, 2009 as compared to RMB51.0 million as of June 30, 2009, partially attributable to the early repayment of non-current bank loans due to surplus cash and increased expenditure for investment properties under construction. We cannot assure you that we will not have net current liabilities in the future. If we continue to have net current liabilities in the future, our working capital for the purposes of our operations may be constrained.

We maintain a substantial level of indebtedness. Our total bank and other loans, including both current and non-current bank and other loans, as of December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB917.2 million, RMB2,043.1 million, RMB2,364.5 million and RMB1,713.4 million, respectively. In comparison, our total net assets as of December 31, 2006, 2007 and 2008 and June 30, 2009 was RMB308.0 million, RMB778.8 million, RMB1,013.2 million and RMB1,980.5 million, respectively. As of August 31, 2009, being the latest practicable date to determine our indebtedness, of our total bank loans of approximately RMB1,273.4 million, approximately RMB823.4 million was repayable within one year or on demand and approximately RMB450.0 million was repayable beyond one year. We may not generate sufficient cash flows from operations to support the repayment of such current loans, as indicated by the continuous operating cash outflow in 2006, 2007 and 2008.

We also have substantial committed future capital expenditures and contingent liabilities. As of June 30, 2009, our capital commitments in connection with our investment properties under construction, properties under development and acquisition of land use rights amounted to RMB938.5 million and we provided guarantees of RMB2,220.2 million to banks in the PRC in respect of the mortgage loans provided by the banks to purchasers of our developed properties.

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Our liquidity in the future will primarily depend on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they become due and on our ability to maintain adequate external financing to meet our committed future capital expenditures and pay for the guarantees we provide to commercial banks if purchasers default on their mortgages. Our operating cash flows may be adversely affected by numerous factors, including increased competition, decreased demand for residential properties, retail and commercial properties or car park spaces, unforeseen delays in the property development process and various other matters beyond our control. Since we maintain a high level of indebtedness and have substantial committed future capital expenditures and contingent liabilities, a decrease in our operating cash inflows could materially and adversely affect our liquidity and results of operations.

Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period.

At present, we derive substantially all of our revenues from the sale of residential properties that we have developed, and not from returns on investment properties, such as rental income. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedules of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties that we have developed, our recognition of revenue policies and any volatility in expenses such as land costs and construction costs. For each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was approximately RMB92.6 million, RMB1,083.7 million, RMB1,759.8 million and 1,308.3 million, respectively.

In light of the above, we believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues. Furthermore, the completion and delivery of any project development may be adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control. Any of these factors may affect the timing of completion and delivery of our projects, as well as our cash flow position and recognition of revenue from our projects, thus adversely affecting our financial condition.

We may not be successful in leveraging our past experience in residential property development in expanding into our new hotel and investment property businesses.

We are entering into the business of developing and managing office buildings and hotels. We are currently developing a hotel and office buildings in Xiamen and Shanghai. However, our experience solely as a residential property developer may not be applicable to the development of these types of investment properties. We cannot assure you that we will be able to leverage our past experience to face the challenges in these new investment property businesses. We will rely on third party property management companies to conduct the daily operation of our hotel and office buildings. If their performance is not satisfactory to our guests or tenants, the occupancy rate and/or rental value for our hotels and office buildings may decrease, and thus adversely affect our results of operations and our reputation. We also may not be able to reduce the costs associated with the management of our hotel and office buildings in a timely manner in response to changes in demand for those properties. Furthermore, the performance of our investment properties is subject to various factors beyond our

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control, such as the economic conditions and the level of business activities, business travel and tourism in the region. There may not be sufficient and consistent market demand for high-end hotels and office space in Xiamen and other cities in which we plan to develop such properties, and, as a result, our results of operations in these new segments may not be profitable or generate recurring income or cash flow as we expect, and we could even operate at a loss.

We may not be able to leverage our previous experience in property development in expanding into other cities.

Our business has expanded rapidly since 1994 when we commenced our property development business. In addition to growing our presence in Xiamen, we have expanded into Shanghai, Hefei and Fuzhou. We intend to continue to leverage our experience expanding into other fast growing PRC cities. The market and circumstantial situations in these new cities may differ from Xiamen and other cities where we have already developed projects in terms of the level of economic development, topography, culture, regulatory practices, level of familiarity with contractors and business practices and customs, and customer tastes, behavior and preferences. Accordingly, our prior experiences may not be applicable to other cities. In addition, when we enter into new markets and geographical areas, it is likely that we will compete with local developers who have an established local presence, have more familiarity with local regulatory and business practices and customs, and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. Failure to leverage our experience or failure to understand the property market in other cities in China which we target for expansion may have a material adverse effect on our financial condition or results of operations. Furthermore, if we are unsuccessful in our endeavors to expand our business outside Xiamen, our confinement to the Xiamen market over the long term may constrain our development and prospects.

Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, the hotel management partner that manages our hotel.

Our Yuzhou International Hotel, upon completion, will be managed by an Independent Third Party hotel management group. Therefore, our results of operations may be affected by the performance of the hotel management partner, as well as any adverse publicity or other adverse developments that may affect the hotel management partner or its brands generally. Any disagreement between our hotel management partner and ourselves in respect to the management of Yuzhou International Hotel may adversely affect the performance of the operations of our hotel. In addition, in the event that we wish to replace our hotel management partner, we may be unable to do so under the terms of our management agreement or we may need to pay substantial termination fees and experience operational disruptions at the hotel. The effectiveness and performance of the hotel management partner in managing our hotel will, therefore, significantly affect the revenue, expenses and value of our hotel.

Our objectives may conflict from time to time with the objectives of our hotel management partner, which may materially and adversely impact the operations and profitability of our hotel.

The hotel management partner that will operate our Yuzhou International Hotel will have a non-exclusive arrangement with us and it will own, operate or franchise properties other than our property, including properties that may compete with our property. Therefore, our hotel management

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partner may have interests that differ from or conflict with our own with respect to short-term or long-term goals and objectives. These differences may be significant depending upon many factors, including the remaining term of our management agreement, trade area restrictions with respect to competition or differing policies, procedures or practices. Any of these factors may materially and adversely affect the operations and profitability of our hotel, which could harm our business, financial condition and results of operations.

We are subject to legal and business risks if our project companies fail to obtain or renew their qualification certificates.

All real estate developers/companies in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. In addition, a real estate developer in the PRC must hold a valid qualification certificate when it applies for a pre-sale permit.

The Provisions on Administration of Qualification Certificates of Real Estate Developers (《房地產開發企業資質管理規定》), or the Provisions on Administration of Qualifications, provide that a newly established developer must first apply for a temporary qualification certificate with a one-year term (暫定資質證書), which can be renewed for a maximum of a two-year period.

Thereafter, the developer must apply for a formal qualification certificate (資質證書) under one of the four grades set out in the Provisions on Administration of Qualifications. A qualification certificate will not be granted or renewed until and unless the developer meets the various requirements set out in the Provisions on Administration of Qualifications. If any one of our project companies is unable to meet the relevant requirements for obtaining or renewing its qualification certificate, that project company will be given a deadline within which it has to meet these requirements, and it will also be subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of any qualification certificate and the business license of the relevant project company.

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

We may be involved in disputes with various parties involved in the development, construction and sale of our properties, including contractors, suppliers, construction workers, partners and purchasers. Such disputes may arise from a variety of causes, including the suitability of building materials, workmanship, construction delay and payment terms. These disputes may lead to legal or other proceedings which would result in substantial costs and diversion of resources and management’s attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if the subsequent planning and development of such projects is perceived to be inconsistent with the representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

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Our ability to sell our properties is partly affected by our customers’ ability to procure bank mortgages.

A significant number of our property purchasers rely on mortgages to fund their purchases. Without mortgage financing, some of our prospective customers would not be able to purchase our properties. There are a number of factors, which we cannot control, affecting the market for and availability of mortgages in China, any one or a combination of which could make it more difficult for us to pre-sell or sell our properties. These factors include the following:

- Increases in interest rates will increase the cost to our customers of funding property purchases through mortgages. Any increases in interest rates, including by the PBOC, China’s central bank, will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties. Our cost of borrowing would also increase as a result of interest rate increases, which would, in turn, adversely affect our results of operations;
- The PRC Government may also increase the down payment requirements, 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 their first self-used residential properties with a unit floor area of less than 90 sq.m. generally must pay at least 20% of the purchase price of the properties before they can finance their purchases through mortgages. Since June 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 sq.m. or more. Since September 2007, for second-time home buyers that use mortgage financing, the PRC Government has increased the minimum down payment to 40% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate. For commercial property buyers, banks are no longer allowed to finance the purchase of any pre-sold properties. 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 lending interest rate and maximum maturities of no more than 10 years. Commencing on October 27, 2008, the PBOC restricted the minimum mortgage loan rates at 0.7 times of the benchmark lending rates for residential mortgage loans and lowered the minimum down payment ratio to 20%. In addition, according to the Guideline for Commercial Banks on Risks of Real Estate Loans 《商業銀行房地產貸款風險管理指引》, 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.
- Availability of mortgage funds to purchasers in a timely manner. In particular, the PBOC Notice on Regulating Financing Business of Housing (《中國人民銀行關於規範住房金融業務的通知》) issued by the PBOC on June 19, 2001 states that banks may not provide mortgages to purchasers entering into pre-sale agreements for properties under construction until substantial construction of the building in which such property is located is completed. Substantial construction work means, for a non-high-rise building, completion of the general structure of the building, and, for a high-rise building,

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two-thirds of the total investment having been made. This condition is more stringent than the condition for obtaining a pre-sale permit. Therefore, strict adherence by banks to this June 2001 notice would result in some of our customers not having access to funds to support their purchases until later than has historically been the case. As a result, our ability to obtain and use the pre-sale deposits to finance construction could be adversely affected; and

- Any disruption to, or change in, the banking sector in China that affects our customers’ ability to obtain mortgages could have an adverse effect on our liquidity and results of operations.

We are subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect our operations.

We are subject to certain restrictive covenants in the loan contracts between us and certain banks, which state that it will be an event of default under a loan contract with a bank if we fail to meet any payment obligation under any other loan contract between us and such bank (a “Cross Default”). If any Cross Default occurs, such bank will be entitled to accelerate payment of all or any part of the indebtedness owing under all the loan contracts between us and such bank and to enforce all or any of the security for such indebtedness. If any of these events were to occur, our financial condition, results of operations, cash flow and cash available for distributions to Shareholders may be materially and adversely affected.

Any unauthorized use of our brand or trademark may adversely affect our business.

We own trademarks for “禹洲”, in the form of Chinese characters and our company logo. We rely on the PRC intellectual property and anti-unfair competition laws and contractual restrictions to protect our brand and trademarks. We believe our brand, trademarks and other intellectual property rights are important to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as the United States or the Cayman Islands, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our brand, trademarks and other intellectual property rights, our reputation may be harmed and our business may be adversely affected.

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

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our founder and Chairman, Lam Lung On. Most members of our senior management team have more than nine years of property development experience in the PRC. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and

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our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. As competition in the PRC for senior management and key personnel with experience in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or carries on a competing business, we may lose customers and key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

We rely on independent contractors to provide property development products and services.

We engage independent third party contractors to provide significant property development services, including construction, piling and foundation, building and property fitting-out work, interior decoration and installation of air-conditioning units and elevators. Payments to our construction contractors account for a significant amount of our costs and for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, payments to our five largest construction contractors as a percentage of our total payments under construction contracts were 50.8%, 41.8%, 62.6% and 61.3%, respectively. Our projects are usually undertaken by independent contractors selected through invitation and our contracts typically do not allow these independent contractors to sub-contract all or significant portions of the work unless our prior approval has been obtained. There can be no assurance that the services rendered by any such independent contractor or any subcontractor will be completed in a timely manner or of satisfactory quality. If these services are not timely or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our development projects or resulting in additional costs. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation. We cannot assure you that such problems with our contractors will not occur in the future.

Our business, financial condition and results of operations may be materially and adversely affected if we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience material delays in obtaining, PRC Government approvals or certificates for our property developments.

The property industry in the PRC is heavily regulated by the PRC Government. PRC real estate developers must comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations.

In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at

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various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter major problems in obtaining the permits, licenses, certificates or approvals as required, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to the granting of the approvals.

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

Property development projects require substantial capital expenditure prior to and during the construction period. The timing and costs involved in completing a development project can be adversely affected by many factors, including:

- delay in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- provisional government regulation;
- relocation of existing site occupants and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes; and
- adverse weather conditions.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in harm to our reputation, loss of or delay in recognizing revenues and lower returns. If a pre-sold property development is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. As of the Latest Practicable Date, our Group has not encountered any significant construction delays or failure to complete the construction of a project on time. However, we cannot assure you that we will not experience any significant delays in completion or delivery in the future or that we will not be subject to any liabilities for any such delays.

In addition, further regulatory changes, competition, and inability to procure governmental approvals or required changes in project development practice could occur at any stage of the planning and development process. We may not be able to complete projects that we are currently developing or plan to develop and we may find ourselves liable to purchasers of pre-sold units for losses suffered by them.

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Property owners may terminate our engagement as the provider of property management services.

We provide post-sales property management services to the owners of several residential projects that we have developed through our wholly owned property management subsidiary, Huaqiaocheng Properties Co. We believe that property management is an integral part of our business and critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the homeowners 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 the home owners. If homeowners of the projects that we have developed choose to terminate our property management services, or property buyers dislike our property management services, our reputation could be materially and adversely affected.

We may suffer losses arising from uninsured risks.

In accordance with what we believe to be industry practice, we do not maintain insurance for destruction of, or damage to, our property developments (whether they are under development or have been completed and are pending delivery) other than with respect to those buildings over which our lending banks have security interests, for which we are required to maintain insurance coverage under the relevant loan agreements. We also do not carry insurance covering construction-related personal injuries. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on our work sites. Under PRC laws, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of such owner. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our business operations, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

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 may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict payment of dividends or other distributions on its equity interest from such subsidiary to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries on a combined basis only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their statutory funds in

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accordance with the requirements of relevant PRC laws and provisions in their respective articles of association. As a result, our PRC subsidiaries on a combined basis 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 and adversely limit our ability to conduct and expand our business, make investments or acquisitions that could be beneficial to our businesses, or pay dividends or otherwise fund.

Under the new PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, which was issued on March 16, 2007 and became effective on January 1, 2008, and the Implementation Rules for the EIT Law (《中華人民共和國企業所得稅法實施條例》) issued by the State Council, which became effective simultaneously with the EIT Law, a PRC income tax at the rate of 10% is applicable to dividends paid by PRC enterprises to “non-resident enterprises” (enterprises that do not have an establishment or place of business in China, or that have an establishment or place of business in China but the relevant income is not effectively connected with such establishment or place of business), subject to the application of any relevant income tax treaty that China has entered into which provides for a lower withholding tax rate. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes 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》), a company incorporated in Hong Kong will be subject to withholding tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in the PRC subsidiary at the time of the distribution, or at a rate of 10% if it holds less than a 25% interest in the PRC subsidiary. If we or our non-PRC subsidiaries are considered “non-resident enterprises,” any dividend that we or any such non-PRC subsidiary receive from our PRC subsidiaries may be subject to PRC taxation at a rate of 5% or 10%, as the case may be.

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 governmental 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. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

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RISKS RELATING TO THE PRC REAL ESTATE INDUSTRY

The PRC Government may adopt further measures to curtail the overheating of the property sector.

As a property developer, we are subject to extensive government regulations in virtually every aspect of our operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC Government. Over the past few years, property developers have invested heavily in the PRC, raising concerns that certain sectors of the property market are subject to overheating. In response, the PRC Government has from time to time introduced austerity measures intended to curtail the overheating of property development and discourage speculation in the residential property market. These measures include the credit tightening measures discussed in “— Risks Relating to Our Business — We may not have adequate resources to fund land acquisitions or property developments or to service our financing obligations” and the following, among others:

- 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;
- adopting the “70/90 rule” which requires at least 70% of the total GFA of residential projects approved or constructed on or after June 1, 2006 consist of units with a GFA of less than 90 sq.m. per unit;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of property if the property as a primary residence has a GFA of 90 sq.m. or more;
- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, except that, when the size of such second-time home buyer’s existing ordinary residence is smaller than the average size of homes in the locality of such buyer, such buyer may be entitled to favorable loan terms similar to those for first-time home buyers; if a member of a family (including the buyer and his/her spouse and their children under 18) has financed the purchase of a residential unit with loans from banks, any member of the family that buys another residential unit will be regarded as a second-time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years as of June 1, 2006. However, there are certain business tax reductions or exemptions provided by the PRC government in 2009 such as:

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- (i) business tax exemption for the transfer of an ordinary residential property made more than two years after its last transfer, (ii) reduced tax which is levied on the difference between the transfer price and the original price for any transfer of non-ordinary residential property made more than two years after its last transfer or any transfer of ordinary residential property within two years of its last transfer, and (iii) tax levied on the entire sale price of any non-ordinary residential property sold within two years of its last transfer;
- imposing a ban on onward transfer of uncompleted properties;
 - 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;
 - imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of the land use right for land being idle for two years or more;
 - revoking the approvals for projects not in compliance with the planning permits; and
 - banning land grants for villa construction and restricting the provision of land for high-end residential property construction.

Please see “Industry and Regulatory Overview — Regulatory Overview” and “Regulatory Overview” in Appendix IV to this document for more details. The PRC Government’s restrictive regulations and measures to curtail the overheating of the property sector could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations. We cannot be certain that the PRC Government will not issue additional and more stringent regulations or measures, which could further slow down property development in China and adversely affect our business, financial condition, results of operations and prospects.

The PRC Government has recently implemented restrictions on the ability of PRC property developers to obtain offshore financing.

On July 10, 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that have Properly Filed with MOFCOM (《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registrations or foreign debt applications for settlement of foreign exchange submitted by foreign invested real estate enterprises (including newly established enterprises and enterprises with increased registered capital) which obtained approval certificates from or filed with MOFCOM on or after June 1, 2007 and (ii) that the SAFE will no longer process foreign exchange registrations (or amendments of such registrations) or applications for settlement and sale of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from the commerce departments of local governments on or after June 1, 2007 but which had not filed with MOFCOM. This new regulation restricts the ability of foreign-invested property companies to raise funds offshore for the purpose of injecting such funds into the

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companies by way of borrowing foreign debt, including shareholder loans and overseas commercial loans. Nonetheless, this new regulation does not restrict property developers from receiving foreign capital by way of increase of registered capital of the existing foreign-invested property companies or the establishment of new foreign-invested project companies provided that such registered capital increase or the new company establishment has been duly approved by competent local branches of MOFCOM and filed with MOFCOM or duly approved by MOFCOM. Subsequent to June 1, 2007, we have filed with MOFCOM the increases of registered capital contribution to one of our existing foreign-invested subsidiaries and the establishment of one foreign-invested subsidiary.

The property market in the PRC is at an early stage of development and is volatile.

The property market in the PRC is still at an early stage of development, and social, political, economic, legal and other factors may affect its development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in the PRC have been cited as factors which may inhibit demand for residential properties. We are, and expect to continue to be, dependent upon the growth of the urban middle and upper-middle classes in China. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand by corporations and other institutional entities for our Commercial Properties.

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the property market in China. We cannot assure you that there will not be overdevelopment in the property sector in China in the future. Any future overdevelopment in the property sector in China may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets, which could materially and adversely affect our business, financial condition and results of operations.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》), or the LAT Implementation Rules, all income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties (普通標準住房) if the appreciation does not exceed 20% of the total deductible items as defined in the relevant tax laws and regulations. Sales of high-end apartments, villas and holiday villas are not eligible for such exemption. On May 12, 2009, the State Administration of Taxation issued the Administrative Rules on the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》) effective as of June 1, 2009, which further clarifies the specific conditions and procedures for settlement of the LAT.

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We have estimated and made provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we made a provision for LAT in the amount of RMB2.3 million, RMB41.9 million, RMB200.4 million and RMB198.9 million, respectively. It is not certain as to when the PRC tax authorities will collect the amount of LAT in full. In the event that the LAT we have provided for is actually collected in full by the PRC tax authorities, our cash flow and financial position will be affected. Furthermore, in the event that LAT eventually collected by the PRC tax authorities exceeds the amount we have provided for, our net profits after tax will be adversely affected. Please see “Regulatory Overview — Taxation in China — Land Appreciation Tax” in Appendix IV to this document.

We face intense competition from other real estate developers.

In recent years, a large number of property developers have begun to undertake property development and investment projects in China. In addition, a number of international developers have expanded their operations into China, including a number of leading Hong Kong and Singapore real estate development and investment groups. Many of these developers, both private and state-owned, have greater financial, managerial, marketing and other resources than we do, as well as more experience in property and land development. Competition between property developers is intense and may result in, among other things, increased costs for the acquisition of land for development, excessive supply of properties in certain parts of China, a decrease in property prices, a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees. Any such effect may adversely affect our business, results of operations and financial position. In addition, the real estate market in China is rapidly changing. If we cannot respond to changes in market conditions more swiftly or effectively than our competitors do, our business, financial condition and results of operations will be adversely affected. Please see “Business — Competition” for more details.

We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. 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 processes. 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 30 days after the receipt of the completion and acceptance certificate 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 or a time set out in the relevant sale and purchase agreement after delivery of the properties the relevant property sale and purchase agreements, identification documents of the purchasers, and proof of payment of deed tax, together with the general property ownership certificate, for the bureau’s

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review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application 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 penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for any other reason beyond our control.

Prior to our acquisition of Guifeng Co. in February 2007, Guifeng Co. experienced late delivery of individual property ownership certificates with respect to 147 units at The Mall at Phase I of Yuzhou World Trade Center as a result of delays in completion of the construction work in accordance with the original development plan. After we acquired Guifeng Co. in February 2007, we continued and completed the construction of The Mall at Phase I of Yuzhou World Trade Center. We received the notice for registration of building ownership certificate for The Mall at Phase I of Yuzhou World Trade Center from the real estate registration center of Xiamen in May 2008 and have informed the purchasers by public announcement that they can obtain individual property ownership certificates for their units. The purchaser of a unit who experienced a delay in delivery of the individual property ownership certificate filed for arbitration against Guifeng Co. Such arbitration was concluded in September 2008 and, under the arbitration order, Guifeng Co. paid the purchaser compensation of RMB173,934 and arbitration expenses of RMB9,390 and agreed to assist the purchaser in obtaining the individual property ownership certificate for the purchased unit. In addition, the purchasers of another unit who experienced a delay brought a lawsuit against Guifeng Co. that concluded in September 2008. Guifeng Co. paid the purchasers compensation of RMB375,917 pursuant to the court order and agreed to assist the purchasers in obtaining the individual property ownership certificate for the purchased unit. As of June 30, 2009, we had compensated the purchasers who experienced delays in the delivery of individual property ownership certificates in the aggregate amount of approximately RMB21.04 million based on the relevant sale and purchase agreements (including the amounts we paid pursuant to the above arbitration and court orders). The maximum amount of the compensation that we may pay to the purchasers due to such delays (including the amount already paid) under the relevant sale and purchase agreement is approximately RMB21.1 million. As of the Latest Practicable Date, we did not have any significant contingent liabilities in connection with such delays as the outstanding maximum amount of compensation that we may pay to the purchasers due to such delays was recorded as other payables in our combined financial statements. We cannot assure you that other purchasers who experienced delays in delivery of individual property ownership certificate will not bring legal or other proceedings against us. Each of our Controlling Shareholders has agreed to indemnify and keep us indemnified against all losses (including penalties and fines) which may arise from the late delivery of individual property ownership certificates for the units at The Mall at Phase I of Yuzhou World Trade Center.

Except for the aforesaid, during the three years ended December 31, 2008 and the six months ended June 30, 2009, we did not miss any deadlines for delivering individual property ownership certificates. However, we cannot assure you that we will be able to timely deliver all property ownership certificates in the future or that we will not be subject to any liabilities as a result of any late deliveries of property ownership certificates.

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The illiquidity of investment properties and the lack of alternative uses of investment properties could limit our ability to respond to adverse changes in the performance of our properties.

Because investment properties in general are relatively illiquid compared to other types of investments such as securities, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors, such as general economic conditions, the availability of mortgage financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale. Should we decide to sell a property subject to a management agreement or tenancy agreement, we may have to obtain consent from or pay termination fees to our hotel management partners or our tenants.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, to correct defects, or to make improvements before a property can be sold. We cannot assure you that we will have funds available for maintenance, to correct defects, or to make improvements. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could adversely affect our ability to retain tenants and to compete against our competitors and therefore could materially and adversely affect our business, financial condition and results of operations.

We may be required to bear resettlement costs associated with our property developments.

The land parcels we acquire in the future for development may have existing buildings or other structures or be occupied by third parties. In accordance with the City Housing Resettlement Administration Regulations (《城市房屋拆遷管理條例》) and the applicable local regulations, a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development, directly or indirectly through the local government, and to provide compensation for their relocation and resettlement. The compensation payable by the property developer is calculated in accordance with a pre-set formula determined by the relevant provincial authorities, which may be subject to change. If such compensation formula is changed to increase the compensation, our land acquisition costs may be subject to substantial increases which could adversely affect our financial condition and results of operations. In addition, if we or the local government fail to reach an agreement regarding compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay the timetable of our projects. Such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, results of operations and financial condition.

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We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts.

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of the developments of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land. Specifically, under current PRC laws and regulations, 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 bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture to the PRC Government unless the delay in development is caused by government actions or force majeure. Recently, in the Notice on Promoting the Saving and Intensification of Use of Land (《國務院關於促進節約集約用地的通知》) promulgated by the State Council on January 3, 2008, this policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterates the current rules on idle land.

We have experienced delays in construction of Phases I and II of Yuzhou Huaqiao City. According to a certificate issued by the local land acquisition and reserve center and county government, the delay of Phase I of Yuzhou Huaqiao City was due to a delay in the local government’s construction of a water supply network and the delay of Phase II of Yuzhou Huaqiao City was due to a delay in the finalization of the construction plan for a trans-province high-speed railway project which is expected to pass through the land for Yuzhou Huaqiao City. In September 2008, the local authority accepted our request for a construction extension whereby we committed to commence construction of Phase I of Yuzhou Huaqiao City before January 16, 2009 and construction of Phase II of Yuzhou Huaqiao City before January 1, 2010. We commenced construction of Phase I of Yuzhou Huaqiao City in September 2008 and intend to commence construction of Phase II of this project before January 1, 2010. We have not received any warning notice or been fined any idle land fee for our delays in commencing construction from the local land bureau. Our PRC legal advisor is of the opinion that as long as we commence the construction of Phase II of Yuzhou Huaqiao City before January 1, 2010, the likelihood that we will be required to forfeit the land is relatively low. We further believe that we will not be required to pay idle land fees as the local authority did not specify any penalty.

We have not commenced the construction of Phase IV of Yuzhou Jinqiao International due to uncertainty over the designated land use purpose. We acquired the land for Phase IV of Yuzhou Jinqiao International through a court-organized auction for a consideration of RMB43.5 million and received the land use rights certificate on September 7, 2006. Since we acquired the land through a court-organized auction, a land grant contract was not required under PRC laws and regulations and, therefore, no land grant contract was entered into by us and there is no commencement due date for Phase IV of Yuzhou Jinqiao International. However, as advised by our PRC legal advisor, the local government may exercise discretion in interpreting the commencement due date for this project phase and it is possible that the local government may use September 7, 2006, the date on which we received

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the land use rights certificate, or a subsequent date, as the commencement due date for this project phase. The land for Phase IV of Yuzhou Jinqiao International consists of two plots, Plot A and Plot B, with GFA of approximately 18,666 sq.m. and 51,137 sq.m., respectively. At the time of purchase, the land use purpose of Plot A was research use, which is designated for research uses by companies and institutions, and the land use purpose of Plot B was office use, which is designated for general office uses. The local government, at the time of our purchase of the land, intended to change, within the district in which the land for Phase IV of Yuzhou Jinqiao International is located, all plots designated for research use from research use to office and commercial uses. We subsequently applied to change the land use purpose for Plot A of Phase IV of Yuzhou Jinqiao International from research use to office and commercial uses to be in compliance with the local government’s intended change of land use purposes. However, in August 2009, the local government informed us that it decided not to make the proposed change and the land use purpose of Plot A of Phase IV of Yuzhou Jinqiao International remains as for research use. Shortly thereafter, we submitted the application for the construction land planning permit for Phase IV of Yuzhou Jinqiao International on September 15, 2009 and intend to apply for and obtain other permits required for the commencement of construction of such project in accordance with normal procedures. We expect to obtain all required permits, including the work commencement permit, and commence construction prior to the end of 2009. We do not foresee any legal obstacles to obtaining the permit for commencement of construction. We have not received any warning notice or been fined any idle land fee for our delay in commencing construction from the local land bureau. Based on the timetable set forth above, its understanding of current PRC laws and regulations and its consultation with the relevant government authorities, our PRC legal advisor is of the opinion that we have begun the application process for the permits required for the commencement of construction of Phase IV of Yuzhou Jinqiao International in accordance with normal procedures and will not be required to pay idle fees or forfeit the land for such project. Accordingly, the Directors consider that no provision for idle land fees or land forfeiture is required in connection with Phase IV of Yuzhou Jinqiao International. However, we cannot assure you that the relevant government authorities will not require us to pay idle fees, the maximum amount of which is approximately RMB8.7 million (20% of the auction price), or forfeit land for the delays in the construction of Phase IV of Yuzhou Jinqiao International in the future. If such land were to be forfeited to the government, we would have to write off, partially or in full, our investments made to Phase IV of Yuzhou Jinqiao International and would not be able to develop any properties on such land. As of June 30, 2009, our investment cost in the project was RMB102.1 million.

We have not commenced construction of Phase III of Oriental Venice due to uncertainty over the plot ratio of the land. We acquired the land for Phase III of Oriental Venice through the acquisition of a then Independent Third Party company, the land premium of which was RMB222 million. The construction commencement due date stated in the land grant contract is October 15, 2008. The plot ratio stated in the land grant contract designates the land to be used for low density residences. In May 2008, we applied to change the plot ratio of the land to build high density residences. In April 2009, the local government passed a resolution to maintain the original plot ratio for the land for Phase III of Oriental Venice. Subsequently, we engaged a third party design firm in August 2009 to revise the project design for such project in accordance with the original plot ratio and expect to submit in October 2009 the project design documents to the government for approval as required for the construction works planning permit. The construction land planning permit for Phase III of Oriental Venice was obtained by Dashijie Co. in 2005 prior to our acquisition of Yingfeng Co., the parent company of Dashijie Co., in 2007. We intend to apply for and obtain other permits required for the commencement of construction of such project in accordance with normal procedures, and expect to

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obtain all the required permits, including the work commencement permit, and commence the construction of Phase III of Oriental Venice prior to the end of 2010. We do not foresee any legal obstacles to obtaining the permit for commencement of construction. We have not received any warning notice or been fined any idle land fee for our delay in commencing construction from the local land bureau. Based on the timetable set forth above, its understanding of current PRC laws and regulations and its consultation with the relevant government authorities, our PRC legal advisor is of the opinion that we have begun the application process for the permits required for the commencement of construction of Phase III of Oriental Venice in accordance with normal procedures and will not be required to pay idle fees or forfeit the land for such project. Accordingly, the Directors consider that no provision for idle land fees or land forfeiture is required in connection with Phase III of Oriental Venice. However, we cannot assure you that the relevant government authorities will not require us to pay idle fees, the maximum amount of which is approximately RMB44.4 million (20% of the land premium), or forfeit land for the delays in the construction of Phase III of Oriental Venice in the future. If such land were to be forfeited to the government, we would have to write off, partially or in full, our investments made to Phase III of Oriental Venice and would not be able to develop any properties on such land. As of June 30, 2009, our investment cost in the project was RMB461.3 million.

We also cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If we are required to forfeit land, pay idle land fees, or pay appreciation land premium, we do not expect to be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the land or recover development costs and other costs incurred, and our business, financial condition and results of operations may be materially and adversely affected.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Please see “Regulatory Overview — Environmental Protection” in Appendix IV to this document for more details. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site’s location, the site’s environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws can prohibit or severely restrict activity in environmentally-sensitive regions or areas. Compliance with environmental laws and conditions, and any change thereof, may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC law, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty amounting to RMB50,000 to RMB200,000 for a project that has not received the approval of the environmental impact assessment documents before construction commenced. We cannot assure you that the environmental investigations on our projects conducted to date have revealed all environmental liabilities, or that there are no material environmental liabilities of which we are unaware. Please see “Business — Environmental Matters” for more details.

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RISKS RELATING TO BUSINESS OPERATIONS IN THE PRC

Substantially all of our assets are located in China, and substantially all of our revenue is derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in China.

PRC economic, political and social conditions as well as government policies could affect our business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- its structure;
- the level of government involvement;
- the level of development;
- its growth rate;
- government policies relating to foreign exchange; and
- the allocation of resources.

While the PRC economy has grown significantly in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC Government’s control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past two decades the PRC Government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC’s political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

Substantially all of our revenue and operating expenses are denominated in Renminbi, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current structure, our source of funds will primarily consist of dividend payments

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from our PRC subsidiaries and other payments. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to us, or to satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate PRC Government authorities is required where Renminbi are to be converted into foreign currency and remitted out of China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, our PRC subsidiaries may purchase foreign exchange for settlement of current account transactions, including payment of dividends to us, without the prior approval of the SAFE. Our PRC subsidiaries may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. Since foreign exchange transactions on the capital account are still subject to limitations and require approval from the SAFE, this could affect our subsidiaries’ ability to obtain required foreign exchange through equity financing, including by means of capital contributions from us. We also cannot assure you that the PRC Government will not impose further restrictions on the convertibility of the Renminbi.

We are subject to risks presented by fluctuations in foreign currencies.

Most of our revenue is generated from our PRC operating subsidiaries and denominated in Renminbi. Please see “Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign exchange”. From 1994 until 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set by the PBOC, which were set daily based on the previous day’s PRC interbank foreign exchange market rate and then current exchange rates on the world financial markets. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On July 21, 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. Since then and up to the Latest Practicable Date, the Renminbi has appreciated by approximately 18.8% against the U.S. dollar. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert foreign currencies into Renminbi for such purposes. Any significant depreciation in the exchange rates of the Renminbi against the U.S. dollar or the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by Renminbi but paid in Hong Kong dollars.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

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Interpretation of PRC laws and regulations involves uncertainty.

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Some of these laws may be changed without being immediately published or may be amended with retroactive effect. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, particularly if a competitor has long been established in the locality of, and has developed a relationship with, such agency. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under its permits, and other statutory and contractual rights and interests.

The discontinuation of any preferential tax treatment currently available to us and the increase in the PRC enterprise income tax could decrease our net income and materially and adversely affect our financial condition and results of operations.

Prior to January 1, 2008, our subsidiaries located in Xiamen and property project companies in Shanghai Pudong New District enjoyed a preferential income tax rate of 15% pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. has been entitled to income tax exemption for the first two years commencing in 2004, which was the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. Our other subsidiaries were subject to the standard enterprise income tax rate of 33% prior to January 1, 2008 pursuant to then applicable PRC tax laws.

On December 26, 2007, the State Council issued the Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax (《關於實施企業所得稅過度優惠政策的通知》), or the Transition Preferential Policy Circular, which became effective upon promulgation. According to the EIT Law, its Implementation Rules and the Transition Preferential Policy Circular, a uniform income tax rate of 25% is applied for all enterprises (including foreign-invested enterprises) and income tax exemptions, reductions and preferential treatments then applicable to foreign-invested enterprises are revoked. However, within a transition period as stipulated by the EIT Law and the Transition Preferential Policy Circular, our subsidiaries established before March 16, 2007 and located in Xiamen and Shanghai Pudong New District were subject to a tax rate of 18% in 2008 and will be subject to a tax rate of 20% in 2009, 22% in 2010, 24% in 2011 and the uniform rate of 25% in 2012, and Fujian Yanhai Co. continued to enjoy its tax reduction treatment until the end of 2008. Furthermore, according to the Transition Preferential Policy Circular, the taxable income of PRC entities still enjoying preferential tax treatments after January 1, 2008 shall be calculated in accordance with the new EIT Law and its Implementation Rules. The reduction or elimination of the preferential tax

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treatments we currently enjoy or the imposition of additional taxes on us or our subsidiary in China may significantly increase our income tax expense and materially reduce our net income.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.

Under the EIT Law, 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% enterprise income tax rate as to their global income. Under the Implementation Rules for the EIT 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. Substantially all of our management is currently based in China and may remain in China. 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. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by individual permanent residents of Hong Kong, as in our case. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Rules.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

Pursuant to the State Administration of Foreign Exchange’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《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》), or Circular No. 75, issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC company, must register with the local branch of SAFE before he establishes or controls an overseas special purpose vehicle, or SPV, for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or his equity interests in a domestic enterprise into a SPV, or engages in overseas financing after contributing assets or equity interests into a SPV, such PRC resident must register his interest in the SPV and the change thereof with the local branch of SAFE; and (iii) when the SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC resident must, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute dividends to the SPV. The Directors and our PRC legal advisor believe, based on our inquiries with the Xiamen Branch of the SAFE, our Controlling Shareholders are not required to register with the Xiamen Branch of the SAFE under Circular No. 75. However, if the relevant SAFE authority subsequently determines that our Controlling Shareholders are required to effect the registration procedures under Circular No. 75 or any of its new interpretations, clarifications, or its new implement rules and otherwise requires our Controlling Shareholders to register, and if our Controlling Shareholders fail to comply with, or fail to comply in a timely manner with, such

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requirements, our Controlling Shareholders may be subject to fines and legal sanctions and our business operations may be adversely affected.

The national and regional economies in China may be adversely affected by an outbreak of epidemics such as swine or avian flu and Severe Acute Respiratory Syndrome, thereby affecting our prospects.

China may be susceptible to epidemics such as swine or avian-influenza and Severe Acute Respiratory Syndrome. If these or similar infections continue to escalate and in particular if the virus transforms to one capable of human-to-human transmission, or if there is an outbreak of any other disease in China, such outbreak could result in material disruptions to the construction schedule of our property developments and to our sale and pre-sale processes, and reduce the price and value of our commercial, retail and residential properties, which in turn would adversely affect our financial condition and results of operations.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in the real estate industry in the PRC;
- products under development or planning;
- our strategy, business plans, objectives and goals;
- our capital expenditure plans;
- our dividend distribution plans;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the PRC; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this document, including statements regarding our strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, factors disclosed under “Risk Factors” and elsewhere in this document and the following:

- demand for our products;
- changes in the general operating environment of the real estate industry;
- general economic, market and business conditions in the United States, Europe, Asia and globally;
- the effects of competition on the demand for and the prices of our products;
- the development of new products affecting our current and future business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; and
- other factors beyond our control.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Because of these risks, document or assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

DIRECTORS AND PARTIES

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Lam Lung On	Room 35A No. 43 Second West Hexiang Road Xiamen Fujian People’s Republic of China	Chinese
Kwok Ying Lan	Room 35A No. 43 Second West Hexiang Road Xiamen Fujian People’s Republic of China	Chinese
Lin Longzhi	Room 3 No. 538 Nanshan Road Huli District Xiamen Fujian People’s Republic of China	Chinese
Lin Conghui	Room A No. 528 Nanshan Road Huli District Xiamen Fujian People’s Republic of China	Chinese
<i>Independent Non-Executive Directors</i>		
Gu Jiande	Room 801 No. 249 Binlangli West Xiamen Fujian People’s Republic of China	Chinese
Lam Kwong Siu	Flat B, 23rd Floor Block 12 Braemar Hill Mansions 37 Braemar Hill Road North Point Hong Kong	Chinese
Wee Henny Soon Chiang	Flat B, 7th Floor Block 14 Braemar Hill Mansions 41 Braemar Hill Road North Point Hong Kong	Malaysian

DIRECTORS AND PARTIES

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CORPORATE INFORMATION

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Principal administration and management center in the PRC	45 West Hubin Road Xiamen Fujian People’s Republic of China
Business address in Hong Kong	Unit 3208B, 32nd Floor AIA Tower 183 Electric Road North Point Hong Kong
Company secretary	Mr. Chiu Yu Kang (ACCA, CPA)
Authorized representatives	Mr. Lam Lung On Room 35A No. 43 Second West Hexiang Road Xiamen Fujian People’s Republic of China Ms. Kwok Ying Lan Room 35A No. 43 Second West Hexiang Road Xiamen Fujian People’s Republic of China
Audit committee	Mr. Wee Henny Soon Chiang (<i>Chairman</i>) Mr. Gu Jiande Mr. Lam Kwong Siu
Remuneration committee	Mr. Gu Jiande (<i>Chairman</i>) Mr. Lam Lung On Mr. Wee Henny Soon Chiang
Nomination Committee	Mr. Gu Jiande (<i>Chairman</i>) Mr. Lam Lung On Mr. Wee Henny Soon Chiang

INDUSTRY AND REGULATORY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this document relating to the Chinese economy and the industry in which we operate is derived from various government official publications. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the Directors in the exercise of extracting and repeating such information and statistics. Our Company, makes no representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with each other or with other information.

MACRO-ECONOMIC CONDITIONS IN CHINA

Since China’s adoption of an open door policy in 1978, its economy has experienced significant growth which has been driven further by its accession to the World Trade Organization in 2001. China’s GDP increased from RMB12,033 billion in 2002 to approximately RMB30,067 billion in 2008 at a compound annual growth rate, or CAGR, of approximately 16.5%, making China one of the fastest growing economies in the world. The tables below set out selected economic statistics of the PRC for the years indicated:

	2002	2003	2004	2005	2006	2007	2008	CAGR
Nominal GDP (RMB in billions)	12,033	13,582	15,988	18,322	21,192	24,953	30,067	16.5%
Real GDP growth rate in % . . .	9.1	10.0	10.1	10.4	11.6	11.9	9.0	
Per capita GDP (RMB)	9,398	10,542	12,336	14,053	16,165	19,524	22,698	15.8%
Foreign Direct Investment								
Actual Investment (US\$ in billions)	52.7	53.5	60.6	60.3	63.0	74.8	92.4	9.8%
Contracted Investment (US\$ in billions)	82.8	115.1	153.5	189.1	193.7	— ⁽¹⁾	— ⁽¹⁾	23.7%
Investment in fixed assets (RMB in billions)	4,350.0	5,556.7	7,047.7	8,877.4	10,999.8	13,732.4	17,282.8	25.9%
Consumer Price Index Growth								
Rate	(0.8%)	1.2%	3.9%	1.8%	1.5%	4.8%	5.9%	
Unemployment Rate	4.0%	4.3%	4.2%	4.2%	4.1%	4.0%	4.2%	
Retail Sales of Consumers								
Goods (RMB in billions) . . .	4,814	5,252	5,950	6,718	7,641	8,921	10,849	14.5%

Source: China Statistical Yearbook 2003-2009

Note:

(1) Since 2007, the Ministry of Commerce no longer publishes data of values of contracted investments by foreign countries or regions.

In line with the nominal GDP growth, China’s per capita disposable annual income for urban households increased from RMB7,703 in 2002 to RMB15,781 in 2008, implying increased purchasing power for urban households throughout China. The following tables illustrate the per capita disposable annual income for urban households and aggregate personal savings in China.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Per capital disposable income for urban households (RMB)	7,703	8,472	9,422	10,493	11,760	13,786	15,781	12.7%
Aggregate personal savings (RMB in billions)	8,691	10,362	11,956	14,105	16,159	17,253	21,789	16.9%

Source: China Statistical Yearbook 2003-2009

INDUSTRY AND REGULATORY OVERVIEW

DEVELOPMENT OF THE REAL ESTATE MARKET IN CHINA

Reform of China’s real estate sector did not take place until the early 1990s. Prior to that time, most of China’s urban population relied on the State for housing. Ownership of real property rested with the State, and property development was the responsibility of the State. However, beginning in the early 1990s, China’s property system began a transition to a market-driven system. A summary timeline of key property reforms and policies in China is as follows:

Year	Event
1988	The PRC Government amended the Constitution of the PRC to permit the transfer of state-owned land use rights
1991	Employer/employee-funded housing provident funds commenced
1992	Public housing sales in major cities commenced
1994	The PRC Government implemented further reforms and established an employer/employee-funded housing fund system
1995	The PRC Government issued regulations regarding the sales and pre-sales of property, establishing a regulatory framework for property sales
1998	The PRC Government abolished state-allocated housing policy. Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
1999	The PRC Government extended the maximum mortgage term to 30 years The PRC Government increased the maximum mortgage financing from 70% to 80% The PRC Government formalized procedures for the sale of real property in the secondary market
2000	The PRC Government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
2001	Shanghai became the first city in China to eliminate dual pricing for domestic and overseas home buyers The PRC Government issued regulations relating to sales of commodity properties The PRC Government issued regulations relating to strengthening the administration of demolition and relocation in urban areas
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

INDUSTRY AND REGULATORY OVERVIEW

Year	Event
2003	The PRC Government promulgated rules for more stringent administration of property loans with a view to reducing the credit and systemic risks associated with such loans The State Council issued a notice for sustained and healthy development of the property market The PRC Government issued regulations regarding property management, setting forth a framework for property management activities
2004	The State Council issued a notice to require that property 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 MOHURD amended the Administrative Measures Governing the Pre-sale of Urban Real Estate (《城市商品房預售管理辦法》) The CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen risk control of commercial banks on real estate loans
2005	The State Council issued notice requiring municipal governments and relevant authorities to curb the rapid growth in selling prices in an effort to sustain healthy development of the property market The State Council implemented additional measures to discourage speculation in certain regional markets, including, among others, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, limiting monthly repayment amounts under individuals’ mortgage loans, imposing a business tax for sales within two years of purchase, and prohibiting resale of properties before they are completed
2006	The PRC Government announced measures designed to slow the rapid economic growth of the PRC’s economy to a more balanced, sustainable level by controlling money supply, credit availability and fixed assets investments. In particular, the PRC Government focused on certain high growth sectors, including China’s property market. The measures specific to the property market were designed to discourage speculation in the residential property market and limit the over-development in that market The PRC Government announced a new round of macroeconomic policies to control fixed assets investment by means of imposing tighter reins on land and lending The PBOC raised its benchmark one-year lending rate by 0.27% to 5.85% and the lending rates for other various terms accordingly to further tighten the country’s credit policy effective as of April 28, 2006

INDUSTRY AND REGULATORY OVERVIEW

<u>Year</u>	<u>Event</u>
	The State Council and other related government agencies made a number of policy announcements aimed at (i) discouraging excessive growth of the China’s high-end residential property sector, and (ii) stimulating the development of mass-market residential property projects with a higher degree of affordability in May 2006 Nine PRC Government bodies including the MOHURD, the State Administration of Taxation, the Ministry of Land and Resources, the CBRC and the PBOC jointly announced a number of specific directives on May 24, 2006. Key among those relevant to us is that banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project The Ministry of Land and Resources issued a detailed announcement on May 30, 2006 on guidelines regarding the restriction of overall land supply for high-end residential property developments, including the discontinuation of new land supply for house projects specifically
2007	The State Administration of Taxation implemented measures aimed at strengthening collection of LAT took effect as of February 1, 2007 The PRC Government introduced measures to the effect that the establishment or the share capital increase of real estate enterprises with foreign investment, which are approved by local PRC commerce authorities after June 1, 2007, should be registered with MOFCOM. In the absence of such registration, the foreign real estate enterprise will not be permitted to take out overseas debts including both shareholder loans and foreign commercial loans and SAFE will not give effect to the foreign exchange registration or the foreign exchange alteration registration, as a result of which foreign currencies, which have been injected, will not be settled
2008	On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (Guo Fa [2008] No. 3) (《國務院促進節約集約用地的通知》), which reinforced the existing policy in respect of idle land. The notice stipulates, among other things, that the disposal policies for idle land shall be implemented strictly. If the land approved for development remains unused for more than two years, it shall be forfeited to the government without consideration and the government authorities shall collect additional land premium on the idle land, details of which are yet to be announced. The requirement that a GFA of less than 90 sq.m. (including affordable housing) must reach not less than 70% of the total GFA for development and construction of residential land is also reinforced in this notice On October 22, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued a Notice on Adjusting the Taxation Policies with Regard to Real Estate Transaction (《關於調整房地產交易環節稅收政策的通知》) effective as of November 1, 2008, which aims to reduce the personal taxation burdens on

INDUSTRY AND REGULATORY OVERVIEW

Year

Event

housing transaction and encourage first-time buyers in purchasing ordinary residential properties. The taxation policies stipulated by the notice are as follows:

- for first-time home buyers of ordinary residential property with a unit floor area of less than 90 sq.m., the deed tax is lowered to 1%, and the certification for the first home buying will be issued by the local housing and construction authorities at county or district level;
- the stamp duty is exempted for individual residential property purchase or sale; and
- the LAT is exempted for individual residential property sale

On October 22, 2008, the PBOC announced The Measures to Lower Residential Housing Mortgage Rates and Encourage First Home Purchases of Ordinary Residential Properties (《擴大商業性個人住房貸款利率下浮幅度、支援居民首次購買普通住房》). According to the measures, effective as of October 27, 2008, the minimum mortgage loan rate can be as low as 70% of the benchmark lending rate for residential mortgage loans and the minimum down payment ratio is lowered to 20%. Financial institutions shall determine the lending rate and the down payment ratio taking into consideration factors including, without limitation, whether the buyer is a first-time buyer, whether the property is to be self-used by the buyer, whether the property is ordinary residential property and the home buyer’s credit records and repayment capability. For buyers purchasing their first self-use home of ordinary residential property or buying self-use ordinary residential property for improvement, financial institutions shall support the buyers’ loan demands at the favorable lending rates and down payment ratios. Financial institutions shall appropriately raise the standards of lending for purchase of properties not for self-use or other than ordinary residential properties

On December 20, 2008, the General Office of the State Council promulgated the Several Opinions Concerning Boosting 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》), which provides incentives to build more housing for low-income urban families, encourage purchasing of ordinary residential properties, support real estate developers to actively deal with the changing market, enhance the responsibility of local governments in stabilizing the real estate market and improve surveillance on the real estate market. The relevant policies include:

- providing favorable loan terms similar to those for first-time home buyers to the second-time home buyers whose existing ordinary residence is smaller than the average size in the locality of such home buyers;
- granting business tax exemptions under certain conditions before December 31, 2009;

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Year	Event
	- supporting developers’s reasonable financing needs and increasing credit help for developers of low-price property units catering to low-income groups; and - abolishing the urban real estate tax (城市房地產稅) and applying the Interim Regulations of the People’s Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) to all domestic enterprises, foreign-invested enterprises and individuals
2009	On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), decreasing the minimum percentage of capital funding for any affordable housing projects and ordinary commodity residential properties from 35% to 20%. The minimum percentage of capital funding for other real estate development projects is decreased from 35% to 30%

For more information about recent changes in the real estate industry in China, please see “— Regulatory Overview”.

GROWTH OF THE REAL ESTATE MARKET IN CHINA

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of China’s property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents will own private properties in the near future. The table below sets out selected figures showing China’s urbanization rate of the urban population in China for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008
Urban population (in millions) . . .	502	524	543	562	577	594	607
Total population (in millions)	1,285	1,292	1,300	1,308	1,314	1,321	1,328
Urbanization rate in %	39.1	40.5	41.8	43.0	43.9	44.9	45.7

Source: China Statistical Yearbook 2003-2009

Property Price and Supply

On average, prices for property in China increased from 2002 to 2008. The average price per sq.m. for the property market in China, including residential and commercial properties, was approximately RMB3,800 in 2008, compared to approximately RMB2,250 in 2002.

INDUSTRY AND REGULATORY OVERVIEW

The following table sets out selected data relating to the PRC property market for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008
Investment in properties (RMB in billions)	779.1	1,015.4	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3
Investment in residential properties (RMB in billions)	552.8	677.7	883.7	1,086.1	1,363.8	1,800.5	2,244.0
Investment in office properties (RMB in billions)	38.1	50.8	65.2	76.3	92.8	103.5	116.7
GFA of commodity properties completed (sq.m. in millions) . .	349.8	414.6	424.6	534.2	558.3	606.1	665.4
GFA of commodity properties sold (sq.m. in millions)	268.1	337.2	382.3	554.9	618.6	773.5	659.7
GFA area of residential properties sold (sq.m. in millions)	237.0	297.8	338.2	495.9	554.2	701.4	592.8
GFA of office buildings sold (sq.m. in millions)	5.4	6.3	6.9	11.0	12.3	14.7	11.6
Average price of commodity properties per sq.m. (RMB)	2,250	2,359	2,778	3,168	3,367	3,864	3,800
Average price of residential properties per sq.m. (RMB)	2,092	2,197	2,608	2,937	3,119	3,645	3,576
Average price of retail properties per sq.m. (RMB)	3,489	3,675	3,884	5,022	5,247	5,774	5,886
Average price of office buildings per sq.m. (RMB)	4,336	4,196	5,744	6,923	8,053	8,667	8,378

Source: China Statistical Yearbook 2003-2009

Property Revenue

The upward trend in the China property industry is evidenced by the growth of the revenue from the sale of properties in the PRC. According to the China Statistical Yearbook 2009, the total revenue from real property sales in the PRC increased from approximately RMB251.3 billion in 1998 to approximately RMB2,506.8 billion in 2008. Total GFA sold in the PRC increased from approximately 121.9 million sq.m. in 1998 to approximately 659.7 million sq.m. in 2008.

THE REAL ESTATE MARKETS IN XIAMEN AND FUZHOU

Xiamen and Fuzhou are the two largest cities in the West Strait Economic Zone, which includes Fujian Province and parts of its surrounding areas in Zhejiang Province, Jiangxi Province and Guangdong Province. In March 2006, the Chinese National People’s Congress first proposed a special economic zone in the area in the 11th five-year (2006-2010) economic and social development guidelines. In May 2009, the Chinese State Council issued the Several Opinions Concerning Support for More Rapid Establishment of Economic Zone in the West Strait (《國務院關於支持福建省加快建設海峽西岸經濟區的若干意見》). In July 2009, the Fujian provincial

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government issued the Implementation Rules Regarding the State Council’s Opinions Concerning Support for More Rapid Establishment of Economic Zone in the West Strait (《福建省貫徹落實〈國務院關於支持福建省加快建設海峽西岸經濟區的若干意見〉的實施意見》) (the “Implementation Rules”). The West Strait Economic Zone is an economic development zone in southeast China established to promote regional economic integration and cooperation between Fujian Province and Taiwan. The West Strait Economic Zone is developed against the backdrop of improving the cross-strait relationship between Mainland China and Taiwan and the relationship between Fujian and its neighboring provinces, given Fujian’s strategic location connecting the Pearl River Delta Area and the Yangtze River Delta Area. It is expected to accelerate economic development along the coastal cities in Fujian Province in industries such as agriculture, manufacturing, services and technology. According to the Implementation Rules issued by the Fujian provincial government, the creation of the West Strait Economic Zone is expected to increase Fujian Province’s GDP to RMB4 trillion in 2020. The West Strait Economic Zone is also expected to serve as a corridor for interaction between people across the strait as well as a major advanced manufacturing center on the eastern coast and one of China’s main natural and cultural tourism areas. To that end, preferential policies are expected to be promulgated to promote the rapid and successful development of the Fujian economy.

The Real Estate Market in Xiamen

Xiamen comprises an area of approximately 1,573.2 square kilometers. According to the Xiamen Bureau of Statistics (廈門統計局), as of December 31, 2008, Xiamen had a population of approximately 2.5 million people. Xiamen has experienced substantial GDP growth in the past ten years. In 2008, Xiamen’s nominal GDP reached approximately RMB156.0 billion, while real GDP grew approximately 11.1% over 2007.

The table below sets out selected economic statistics of Xiamen for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Nominal GDP (RMB in billions)	64.8	76.0	88.8	100.7	116.8	138.8	156.0	15.8%
Real GDP growth rate in %	15.6	17.0	16.0	16.0	16.8	16.6	11.1	
Per capita GDP (RMB)	30,297	35,009	40,351	44,737	50,130	57,113	62,651	12.9%

Sources: Xiamen Statistical Yearbook 2003-2008 and Xiamen Bureau of Statistics

Residential property market in Xiamen

In line with the economic growth of Xiamen, investment in local property development experienced an upward trend in recent years. Total residential property investments in Xiamen increased to approximately RMB21.1 billion in 2008 from approximately RMB4.1 billion in 2002, representing a CAGR of approximately 31.4%.

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The table below sets out the total GFA completed, total GFA sold, average price per sq.m. and revenue of residential properties in Xiamen for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in residential properties (RMB in billions)	4.1	5.5	6.7	8.3	15.5	25.9	21.1	31.4%
GFA completed (sq.m.) . . .	1,586,623	2,196,385	2,815,607	2,767,596	2,109,478	2,413,581	3,679,800	15.1%
GFA sold (sq.m.)	1,867,448	2,171,255	2,550,452	2,723,155	3,173,860	3,695,570	1,502,100	-3.6%
GFA sold as a percentage of total GFA sold in PRC	0.70	0.64	0.67	0.49	0.51	0.48	0.23	
Average price per sq.m. (RMB)	2,595.1	3,137.2	3,768.5	4,744.0	6,600.7	8,907.0	8,940.0	22.9%
Revenue (RMB in billions)	4.8	6.8	9.6	12.9	20.9	32.9	13.4	18.7%

Sources: Xiamen Statistical Yearbook 2003-2008, China Statistical Yearbook 2009

Office property market in Xiamen

The table below sets out the selected statistics of office properties in Xiamen for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in office properties (RMB in millions)	282	303	300	330	1,854	1,487	1,800.1	36.2%
GFA completed (sq.m.)	97,716	104,737	109,220	13,620	238,791	439,148	—	35.1%
GFA sold (sq.m.)	57,199	119,865	88,842	75,133	260,987	700,214	562,500	46.4%
GFA sold as a percentage of total GFA sold in PRC	0.02	0.04	0.02	0.01	0.04	0.09	0.09	
Average price per sq.m. (RMB)	3,803.0	3,925.6	4,949.2	7,631.1	6,603.8	4,970.1	—	5.5%
Revenue (RMB in millions) . . .	217.5	470.5	439.7	573.4	1,723.5	3,480.1	—	74.1%

Sources: Xiamen Statistical Yearbook 2003-2008, China Statistical Yearbook 2009 and Xiamen Bureau of Statistics

Capital values and rent per sq.m. in Xiamen increased in recent years as a result of increased demand for office space in Xiamen. We expect an increase in demand for premium office space from local and multi-national companies to further drive the development of Xiamen.

Hotel property market in Fujian Province

China’s economic growth in the past several years has resulted in an increase in both business and leisure travelers to China.

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Xiamen had experienced double-digit growth in foreign visitor arrivals from 2002 to 2008, growing at a CAGR of 11.0%. The table below sets out the overseas visitor arrival statistics for Xiamen for the period from 2002 to 2008.

	Overseas visitor arrivals to Xiamen						
	2002	2003	2004	2005	2006	2007	2008
Foreigners ('000)	671.6	548.8	765.8	944.4	1,010.0	1,130.0	1,256.0
Increase/Decrease (%)	17.2	18.3	39.5	23.3	7.1	12.0	10.9

Source: Xiamen Statistical Yearbook 2003-2008, and Xiamen Bureau of Statistics

The number of star-rated hotels in Fujian Province increased from 284 in 2002 to 411 in 2007. The table below sets out the number of star-rated hotels in Fujian Province for the periods from 2002 to 2007, reflecting the supply of high-end hotels in Fujian Province.

	2002	2003	2004	2005	2006	2007
Number of star-rated hotels	284	305	322	397	412	411

Sources: Fujian Statistical Yearbook 2003-2008

The Real Estate Market in Fuzhou

Fuzhou comprises an area of approximately 12,000 square kilometers. According to the Fuzhou Bureau of Statistics (福州市統計局), as of December 31, 2008, Fuzhou had a population of approximately 6.8 million people. Fuzhou has experienced substantial GDP growth in the past ten years. In 2008, Fuzhou's nominal GDP reached approximately RMB228.4 billion, while real GDP grew approximately 13.0% over 2007.

The table below sets out selected economic statistics of Fuzhou for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Nominal GDP (RMB in billions)	101.2	116.2	133.5	147.6	166.4	197.5	228.4	14.5%
Real GDP growth rate in %	10.2	13.6	12.7	9.6	12.3	15.1	13.0	
Per capita GDP (RMB)	16,901	17,695	20,292	22,301	24,874	29,318	33,615	12.1%

Sources: Fuzhou Statistical Yearbook 2003-2008, and Fuzhou Bureau of Statistics

In line with the economic growth of Fuzhou, investment in local property development experienced an upward trend in recent years. Total residential property investments in Fuzhou increased to approximately RMB22.4 billion in 2008 from approximately RMB6.9 billion in 2002, representing a CAGR of approximately 21.7%. According to the China Statistical Yearbook, the total property investments in Fuzhou (including residential and non-residential properties) amounted to approximately RMB37.6 billion in 2007.

INDUSTRY AND REGULATORY OVERVIEW

The table below sets out the total GFA completed, total GFA sold, average price per sq.m. and revenue of residential properties in Fuzhou for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in residential properties (RMB in billions)	6.9	11.4	15.1	15.9	20.3	27.0	22.4	21.7%
GFA completed (sq.m.)	3,692,000	4,237,000	4,729,300	4,481,100	4,111,200	4,118,000	2,946,800	3.7%
GFA sold (sq.m.)	3,173,000	4,106,000	3,950,200	7,963,100	6,214,200	5,925,300	3,414,400	1.2%
GFA sold as a percentage of total GFA sold in PRC	1.2	1.2	1.0	1.4	1.0	0.8		0.5
Average price per sq.m. (RMB)	1,960	2,178	2,463	2,981	3,976	4,900	5,244	17.8%
Revenue (RMB in billions)	6.2	8.9	9.7	23.7	24.7	29.0	17.9	19.3%

Sources: China Statistical Yearbook 2003-2009

THE REAL ESTATE MARKET IN SHANGHAI

Shanghai comprises an area of approximately 6,340.5 square kilometers. According to the Shanghai Statistical Yearbook 2009 (上海統計年鑒2009), as of December 31, 2008, Shanghai had a population of approximately 13.9 million people. Shanghai has experienced substantial GDP growth in the past ten years. In 2008, Shanghai’s nominal GDP reached approximately RMB1,369.8 billion, while real GDP grew approximately 9.7% over 2007.

The table below sets out selected economic statistics of Shanghai for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Nominal GDP of Shanghai (RMB in billions)	574.1	669.4	807.3	916.4	1036.6	1,218.9	1,369.8	15.6%
Real GDP growth rate in %	11.3	12.3	14.2	11.1	12.0	14.3	9.7	
Per capita GDP (RMB)	35,329	39,128	46,338	51,529	57,695	66,367	73,124	12.9%

Sources: Shanghai Statistical Yearbook 2003-2009

Residential Property Market in Shanghai

In line with the economic growth of Shanghai, investment in local property development experienced an upward trend in recent years. Total residential property investments in Shanghai increased to approximately RMB84.4 billion in 2008 from approximately RMB56.8 billion in 2002, representing a CAGR of approximately 6.8%. According to the Shanghai Bureau of Statistics

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(上海市統計局), the total property investments in Shanghai (including residential and non-residential properties) amounted to approximately RMB136.7 billion in 2008.

The table below sets out the total GFA completed, total GFA sold, average price per sq.m. and revenue of residential properties in Shanghai for the periods indicated.

The table below sets out the total GFA completed, total GFA sold, average price per sq.m. and revenue of residential properties in Shanghai for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in residential properties								
(RMB in billions)	56.8	67.6	90.1	92.1	83.6	83.8	84.4	6.8%
GFA completed (sq.m. in millions)	17.1	21.4	30.8	27.4	27.0	27.5	17.6	0.5%
GFA sold (sq.m. in millions)	18.5	22.2	32.3	28.5	26.2	32.8	19.7	1.1%
GFA sold as a percentage of total GFA								
sold in PRC	6.9	6.6	8.5	5.1	4.2	4.2	3.2	
Average price per sq.m. (RMB)	4,007.0	4,989.4	6,385.0	6,698.0	7,039.0	8,250.0	8,182.0	12.6%
Revenue (RMB in billions)	74.0	111.0	206.5	190.6	184.1	270.6	160.8	13.8%

Sources: Shanghai Statistical Yearbook 2003-2009

Office Property Market in Shanghai

The table below sets out the selected statistics of office properties in Shanghai for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in office properties								
(RMB in billions)	3.4	6.7	8.3	10.2	12.4	15.8	18.6	32.7%
GFA completed (sq.m)	548,300	631,500	730,500	870,500	1,085,300	1,388,900	2,056,700	24.6%
GFA sold (sq.m)	423,500	451,800	848,300	978,900	1,390,500	1,509,300	1,458,700	22.9%
GFA sold as a percentage of								
total GFA sold in PRC	0.2	0.1	0.2	0.2	0.2	0.2	0.2	
Average price per sq.m.								
(RMB)	8,343	9,711	10,694	11,867	12,078	14,223	11,811	6.0%
Revenue (RMB in billions)	3.5	4.4	9.1	11.6	16.8	21.5	17.2	30.4%

Sources: Shanghai Statistical Yearbook 2003-2009

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Hotel Property Market in Shanghai

Shanghai experienced double-digit growth in overseas visitor arrivals from 2002 to 2008, growing at a CAGR of 15.3%. The table below sets out the domestic and overseas visitor arrival statistics for Shanghai for the periods indicated:

	2002	2003	2004	2005	2006	2007	2008	CAGR
Domestic visitors								
(’000)	87,610.0	76,030.0	85,050.0	90,120.0	96,840.0	102,100.0	110,060.0	3.9%
Increase/Decrease								
(%)	6.1	-13.2	11.9	6.0	7.5	5.4	7.8	
Foreigners (’000) . . .	2,106.6	2,115.7	3,391.1	4,522.7	4,854.0	5,367.6	5,074.0	15.8%
Increase/Decrease								
(%)	43.3	0.43	60.3	33.4	7.3	10.6	-5.5	
International Total								
(’000)	2,725.3	3,198.7	4,919.2	5,713.5	6,056.7	6,655.9	6,403.7	15.3%
Increase/Decrease								
(%)	33.4	17.4	53.8	16.1	6.0	9.9	-3.8	

Sources: Shanghai Statistical Yearbook 2003-2009

To accommodate the growing number of visitors, the number of four-star and five-star hotels in Shanghai increased from 47 in 2002 to 91 in 2008. The table below sets out the number of four-star and five-star hotels in Shanghai for the periods from 2002 to 2008, reflecting the supply of high-end hotels in Shanghai.

	2002	2003	2004	2005	2006	2007	2008
Number of four-star and five-star hotels . . .	47	50	61	66	69	79	91

Source: Shanghai Statistical Yearbook 2003-2009

THE REAL ESTATE MARKET IN HEFEI

Hefei comprises an area of approximately 7,029 square kilometers. According to the Hefei Bureau of Statistics (合肥市統計局), Hefei had a population of approximately 4.8 million people. Hefei has experienced substantial GDP growth in the past ten years. In 2008, Hefei’s nominal GDP reached approximately RMB166.5 billion, while real GDP grew approximately 17.2% over 2007.

The table below sets out selected economic statistics of Hefei for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Nominal GDP (RMB in billions)	49.7	59.0	72.2	87.8	107.4	133.5	166.5	22.3%
Real GDP growth rate in %	16.4	16.8	17.3	17.0	17.5	18.1	17.2	
Per capita GDP (RMB)	11,173	13,047	16,377	19,512	23,203	28,134	34,482	20.7%

Source: Hefei Bureau of Statistics

In line with the economic growth of Hefei, investment in local property development experienced an upward trend in recent years. Total residential property investments in Hefei increased

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to approximately RMB44.0 billion in 2008 from approximately RMB2.4 billion in 2002, representing a CAGR of approximately 62.4%. According to the China Statistical Yearbook 2008, the total property investments in Hefei (including residential and non-residential properties) amounted to approximately RMB38.8 billion in 2007.

The table below sets out the total GFA completed, total GFA sold, average price per sq.m. and revenue of residential properties in Hefei for the periods indicated.

	2002	2003	2004	2005	2006	2007	2008	CAGR
Investment in residential properties (RMB in billions)	2.4	6.4	10.3	14.3	22.5	29.9	43.6	62.1%
GFA completed (sq.m.)	1,880,000	2,645,000	2,987,400	4,137,700	4,507,300	5,120,600	4,634,200	16.2%
GFA sold (sq.m.)	1,756,000	2,482,000	3,087,000	5,374,000	5,832,600	9,531,000	8,673,500	30.5%
GFA sold as a percentage of total GFA sold in PRC	0.7	0.7	0.8	1.0	0.9	1.2	1.3	
Average price per sq.m. (RMB)	1,618	1,889	2,271	2,799	2,874	3,154	3,592	14.2%
Revenue (RMB in billions)	2.8	4.7	7.0	15.0	16.8	30.1	31.2	49.5%

Source: China Statistical Yearbook 2003-2009

REGULATORY OVERVIEW

Summaries of certain aspects of PRC law and regulations which are relevant to our operations and business and the property industry in China are set out in Appendix IV to this document. Set out below is an overview of key recent regulatory developments relating to the property industry in China, many of which are directed at the residential property sector.

Government Policies

In recent times the PRC Government has introduced a series of macro-economic control policies designed to stabilize the property market. In April and May 2005, the PRC Government brought forward a number of measures to strengthen macro-economic control of the property market and to curb speculation in the property market. These included:

- An increase of 0.27% per annum in the mortgage interest rate; and
- The introduction of a business tax and related statutory surcharges of 5.55% on the total proceeds from a sale of residential property in relation to the resale of residential property within two years after purchase.

China’s State Council issued the Notice on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》) on May 24, 2006,

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introducing additional measures aimed at curtailing speculative activity in the country’s residential market and ensuring that affordable housing is provided. Some of the key provisions which took effect on June 1, 2006 are as follows:

- Mortgage lenders were required to increase the down payment requirement from at least 20% to at least 30% of the property’s value for units larger than 90 sq.m.
- The business tax and related statutory surcharges of 5.55% on the total proceeds from the resale of residential property, which before June 1, 2006 was levied on resales within two years of purchase, was extended to sales within five years of purchase for all units.
- In approving housing development after June 1, 2006, the relevant local authority was directed to require units smaller than 90 sq.m. each to account for at least 70% of the total development and construction area, except where the relevant local authority has, based on the existence of special circumstances, obtained approval from the MOHURD to depart from this requirement. This restriction was further refined on July 6, 2006 clarifying that the 70% minimum could be applied on a city-wide basis by local authorities, rather than on the basis of individual developments.

In April 2006, the 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%. The PBOC again increased the one-year lending rate a number of times in 2007 from 6.12% to 6.39% in March 2007, from 6.39% to 6.57% in May 2007, from 6.57% to 6.84% in July 2007, from 6.84% to 7.02% in August 2007, from 7.02% to 7.29% in September 2007 and from 7.29% to 7.47% in December 2007. In a reversal of this trend, the PBOC lowered the benchmark one-year lending rate from 7.47% to 7.20% in September 2008, from 7.20% to 6.93% on October 9, 2008, from 6.93% to 6.66% on October 30, 2008, from 6.66% to 5.58% on November 27, 2008, and from 5.58% to 5.31% on December 23, 2008.

On July 11, 2006, the PRC Government announced a package of new regulations concerning foreign investment in real estate to further promote the sustainable development of the property market in China. Those measures applicable to foreign individuals included a requirement that buyers show that they have lived in China for a period of at least one year and that the property in question would be occupied by such individual. Residents of Hong Kong, Macau and Taiwan and overseas Chinese are permitted to purchase houses within certain areas for self-usage. Foreign institutions will need to establish a branch or representative office to purchase property for self-usage. Among key regulations applicable to foreign businesses is a minimum capital requirement of 50% on investments greater than US\$10 million and a requirement for government approvals prior to any real estate investment.

On August 29, 2008, the General Affairs Department of SAFE issued a Notice With Regard to the Issue of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accountancy

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firm. The designated banks may not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise may not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope as approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for foreign-invested real estate enterprises, foreign investment enterprises may not use funds in Renminbi obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act in compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested investment enterprises approved by the MOFCOM must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transfer of funds, must undergo examination and approval by the local branches of SAFE as provided by the relevant regulations.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued a Notice on Adjusting the Taxation Policies with Regard to Real Estate Transaction (《關於調整房地產交易環節稅收政策的通知》), effective as of November 1, 2008, which aims to reduce the personal taxation burdens on housing transaction and encourage first-time buyers in purchasing ordinary residential properties. The taxation policies stipulated by the notice are as follows:

- for first time home buyers of ordinary residential property with a unit floor area of less than 90 sq.m., the deed tax is lowered to 1%, and the certification for the first home buying will be issued by the local housing and construction authorities at county or district level;
- the stamp duty is exempted for individual residential property purchase or sale; and
- the LAT is exempted for individual residential property sale.

On October 22, 2008, the PBOC announced the Measures to Lower House Mortgage Rates and Encourage the First Home Purchase of Ordinary Residential Properties (《擴大商業性個人住房貸款利率下浮幅度、支持居民首次購買普通住房》). According to the measures, effective as of October 27, 2008, the minimum mortgage loan rates can be as low as 70% of the benchmark lending rates for house mortgage loans and the minimum down payment ratio is lowered to 20%. Financial institutions shall determine the lending interest rates and the down payment ratios taking into consideration factors including, without limitation, whether the buyer is a first-time buyer, whether the property is to be self-used by the buyer, whether the property is ordinary residential property and the home buyer's credit records and repayment capability. For buyers purchasing their first self-use home of ordinary residential property or buying self-use ordinary residential property for improvement,

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financial institutions can support the buyers’ loan demands at favorable lending interest rates and down payment ratios and can appropriately raise the standards of lending for purchase of properties not for self-use or other than ordinary residential properties.

The State Council issued the Opinions on Finance to Boost the Economic Development (《關於當前金融促進經濟發展的若干意見》) on December 8, 2008, which provides for relevant credit policies and measures to be stipulated and performed to support first-time home buyers’ purchases of ordinary residential properties and second-time home buyers’ purchases of ordinary residential properties for improvement, experiments of real estate investment trusts to be carried out, and the financing channels for real estate developers to be broadened.

On December 20, 2008, the General Office of the State Council promulgated the Several Opinions Concerning Boosting 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》), which provides incentives to build more residential properties for low-income urban families, encourage purchasing of ordinary residential properties, support real estate developers to actively deal with the changing market, enhance the responsibility of local governments in stabilizing the real estate market, and improve surveillance on the real estate market. The relevant policies include:

- providing favorable loan terms similar to those for first-time home buyers to second-time home buyers whose existing ordinary residence is smaller than the average size in the locality of such home buyers;
- granting business tax exemptions under certain conditions before December 31, 2009;
- supporting developers’ reasonable financing needs and increasing credit help for developers of low-price property units catering to low-income groups; and
- abolishing the urban real estate tax (城市房地產稅) and applying the Interim Regulations of the People’s Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) to all domestic enterprises, foreign-invested enterprises and individuals.

As of December 23, 2008, the PBOC lowered the one-year benchmark lending rate to 5.31%. In addition, effective December 25, 2008, the reserve requirement ratio was lowered by 0.5%.

On December 29, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued the Circular Concerning Business Tax on Personal Real Estate Transfer (《關於個人住房轉讓營業稅政策的通知》), according to which, from January 1, 2009 to December 31, 2009, business tax shall be levied on the entire sale price of any non-ordinary house sold within two years of its last transfer or on the difference between the transfer price and the original price for any transfer of non-ordinary house after two or more years of its last transfer or any transfer of ordinary house within two years of its last transfer, while business tax would be exempted for the transfer of an ordinary residential property made after two years from its last transfer.

On December 31, 2008, the State Council announced that as of January 1, 2009, the Provisional Regulations on Urban Real Estate Tax (《城市房地產稅暫行條例》) is repealed and the Interim Regulations

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of the People’s Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) is to be applied to all domestic enterprises, foreign-invested enterprises and individuals.

On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), decreasing the minimum percentage of capital funding for any affordable housing projects and ordinary commodity residential properties from 35% to 20%. The minimum percentage of capital funding for other real estate development projects has been decreased from 35% to 30%.

Land acquisition

As all land in the PRC is either state-owned or collectively-owned, interests in land consist of land use rights, under which individuals and corporate entities may hold rights for investment or development purposes or transfer their interests to other parties. Individuals and corporate entities may acquire land use rights in a variety of ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights. Please see “Regulatory Overview — The Land System of the PRC” in Appendix IV for more details.

Regulations issued by the PRC Ministry of Land and Resources in May 2002 provide that land use rights for property to be used for commercial purposes, including business, tourism, entertainment and residential properties, may be granted by the PRC Government only through public tender, auction or listing-for-sale. These regulations also govern the public tender, auction or listing-for-sale process. Regulations issued by the PRC Ministry of Land and Resources in June 2003 govern the granting of land use rights by the PRC Government by private agreement, where the designated use is other than for commercial purposes. Please see “Regulatory Overview — The Land System of the PRC — Grant” in Appendix IV for more details. Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market, provided that they have made some corresponding investment or exploration in accordance with the land grant agreement and relevant statutory requirements. Our ability to acquire land use rights and develop future projects may be adversely affected by present and future PRC laws and regulations. Please see “Risk factors — Risks relating to our business” for more details.

Recent measures on stabilization of property prices

In light of increasing speculation and investment in the PRC property market, and resultant rapid increases in property prices, the PRC Government has, since 1994, implemented a series of control measures aimed at discouraging speculation in the property market. These also have the wider purpose of reducing the growth rate of China’s economy and promoting balanced and sustainable economic growth. The PRC Government has introduced austerity measures to reduce speculation in the PRC property market, 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;

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- increasing the minimum required capital contribution of real estate developers from 20% to 35% of the total projected capital outlay of any property development;
- increasing the required reserve ratio of funds that a commercial bank must hold on deposit progressively from 7% to 17.5% (effective from June 25, 2008 to September 24, 2008), effectively reducing the amount of money a bank is able to lend. Effective on September 25, 2008, the PBOC decreased the reserve requirement ratio to 16.5% for commercial banks other than the Industrial and Commercial Bank of China (中國工商銀行), the Agricultural Bank of China (中國農業銀行), the Bank of China (中國銀行), the China Construction Bank (中國建設銀行), the Bank of Communications (中國交通銀行) and the Postal Savings Bank (郵政儲蓄銀行), and to 15.5% for commercial banks in areas hit by the May 12, 2008 earthquake in Sichuan, China. Effective on October 15, 2008, the PBOC further decreased the reserve requirement ratio by 0.5%. Effective on December 5, 2008, the PBOC decided to cut the reserve requirement ratio of the Industrial and Commercial Bank of China (中國工商銀行), the Agricultural Bank of China (中國農業銀行), the Bank of China (中國銀行), the China Construction Bank (中國建設銀行), the Bank of Communications (中國交通銀行) and the Postal Savings Bank (郵政儲蓄銀行), by 1% to 16.0%, the reserve requirement ratio for the smaller commercial banks by 2% to 14.0% and adopt a preferential reserve requirement ratio for rural commercial banks and commercial banks in areas hit by the May 12, 2008 earthquake in Sichuan, China. Effective on December 25, 2008, the PBOC further decreased the reserve requirement ratio by 0.5%; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In particular, on May 9, 2005, the MOHURD, the NDRC, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC jointly promulgated the Opinion on Duly Stabilizing the Prices of Residential Properties (《關於做好穩定住房價格工作的意見》), or the Opinion, setting out guidelines for the relevant PRC authorities to stabilize rapid growth in the residential property market. These guidelines were later reflected in a set of new measures which are aimed at directly controlling the growth of the real estate industry, including:

- commencing June 1, 2005, a business tax levy on the sales proceeds subject to the length of holding period and type of property;
- a ban on onward transfer of uncompleted properties;
- the imposition of an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of the land-use right for land which remains idle for two years or more;
- a revocation of planning permits for projects which do not comply with the relevant planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

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In 2006, the PRC Government implemented a series of new measures on land supply, bank mortgage finance, taxation and other aspects with an aim to slow down the increase in real property prices, to encourage development of more low- and middle-end properties and to promote a better environment for the growth and development of the PRC property industry. The new measures included:

- an increase in interest rates for mortgage loans;
- a requirement that residential units with a floor area of less than 90 sq.m. shall account for over 70% of the total area of residential units which are approved and constructed in each city after June 1, 2006. Local governments will have authority to determine construction of new commercial buildings;
- a business tax to be levied on the total sale value of residential property sold within five years of its purchase, as well as a business tax to be levied on any gains from the sale of residential properties, which are not deemed to be ordinary residential properties, after five years of their purchase by an individual;
- with effect from June 1, 2006, the minimum down payment for individual residential property mortgages shall be 30% of the total purchase price, except for low-income purchasers purchasing residential units with a floor area of less than 90 sq.m.; and
- with effect from August 1, 2006, definitions are set out on property values for different types of residential property for computing taxable gains for individual income tax on the transfer of residential property and reasonable deductible costs with a cap on each such allowable cost.

On July 11, 2006, the MOHURD, the MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce and the SAFE jointly issued the Opinion on Regulating the Access and Administration of Foreign Capital in the Property Market (《關於規範房地產市場外資准入和管理的意見》), or the “171 Opinion”. The 171 Opinion aims to regulate the access to the property market of foreign investors and to strengthen the administration of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others, that offshore entities without an onshore branch or representative agency, or foreign individuals who have studied or worked in the PRC for less than one year, are not allowed to purchase commercial properties and residential properties. Please see “Regulatory Overview — The Land System of the PRC” in Appendix IV to this document for more details.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (《國土資源部關於加強城市建設用地審查報批工作有關問題的通知》) promulgated by the Ministry of Land and Resources on September 4, 2003, from the day of issuance of the Notice, the grant of land use rights for luxurious commodity properties shall be stringently controlled, and applications of land use rights for villas will no longer be accepted. The land parcels for our projects under development which include villas have been granted by relevant government authorities prior to the promulgation of such notice. In order to comply with such notice as well as other relevant PRC regulations, we do not intend to obtain lands in the future to develop villas. The Directors do not believe such notice has had or will have a material adverse impact on our business and our strategies.

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According to the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) promulgated by MOFCOM and NDRC on November 30, 2004, effective on January 1, 2005, (i) the development and construction of ordinary residential properties falls within the category of industries in which foreign investment is encouraged, (ii) the development of whole land lots (limited to equity joint ventures and cooperative joint ventures) as well as the construction and management of high-class hotels, villas, premium office buildings, international conference centers, theme parks and golf courses falls within the category of industries in which foreign investment is subject to restrictions, and (iii) other property development falls within the category of industry in which foreign investment is permitted. On October 31, 2007, the MOFCOM and the NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective December 1, 2007, under which the development and construction of ordinary residential properties is removed from the category of industry that foreign investment is encouraged, whereas the secondary market transactions in property sector, by property intermediaries or agents fall under the category of industry that foreign investment is subject to restrictions and the construction and management of golf courses is forbidden from foreign investment.

We develop residential, retail and commercial properties including ordinary residential properties, high-class hotels and premium office and retail buildings. All of our projects are classified as either within the category of industries in which foreign investment is subject to restrictions or the category of industries in which foreign investment is permitted. All of our project companies with foreign investment have obtained relevant approvals or permits for their incorporation and the development of their property projects from relevant authorities including MOFCOM. Our PRC legal advisor is of the opinion that we are in compliance with the Foreign Investment Industrial Guidance Catalogue.

On May 23, 2007, the MOFCOM and the SAFE issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector (《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》). This notice requires that real estate enterprises with foreign investment are not permitted to bypass any approval or regulatory requirements in order to invest in real estate properties in the PRC; in particular, investment by way of changing the controlling shareholder of a local real estate is expressly prohibited.

On July 10, 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that have Properly Filed with MOFCOM (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registration or foreign exchange settlement for foreign debt for real estate enterprises with foreign investment that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007 and (ii) that the SAFE will no longer process foreign exchange registration (or change of such registration) or application for settlement and sale of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from a local government’s commerce department on or after June 1, 2007, but did not file with MOFCOM. This new regulation restricts the ability of foreign invested real estate companies to raise funds offshore for the purpose of funding such companies by way of borrowing foreign debt, including shareholder loans and overseas commercial loans. Nonetheless, this new regulation does not restrict property developers from receiving foreign

INDUSTRY AND REGULATORY OVERVIEW

capital by way of an increase in registered capital of the existing foreign-invested property companies or the establishment of new foreign-invested project companies provided that the increase in registered capital or establishment of a new company has been duly approved by competent local branches of MOFCOM and registered with MOFCOM or duly approved by MOFCOM. Subsequent to June 1, 2007, we have filed with MOFCOM the increases in registered capital contribution to one of our existing foreign-invested subsidiaries and the establishment of one foreign-invested subsidiary.

On June 18, 2008, the MOFCOM issued the Circular on Duly Filing of Foreign Investment in Property Sector (《關於做好外商投資房地產業備案工作的通知》) effective July 1, 2008 to implement the above mentioned PRC laws and regulations concerning the filings of foreign-invested property enterprises with MOFCOM. Please see “Regulatory Overview — Foreign Investment in Property Development” in Appendix IV to this document for more details.

On July 29, 2008, the PBOC and CBRC jointly issued the Notice Relating to the Financial Promotion of Economized and Intensive Land Use (《關於金融促進節約集約用地的通知》). The major provisions of the notice are as follows:

- Land funded by a loan shall be obtained legally, in compliance with general land use planning, urban and rural planning, and the relevant industry planning. In the case of new land for development, such land must also fit into the annual land use schedule. It is forbidden to extend a loan to a project which does not comply with the relevant planning requirements, or to a project not in compliance with relevant PRC land laws and regulations. It is strictly forbidden to extend loans to any project listed on the National Forbidden Land Use Projects List (《禁止用地項目目錄》). In the case that a loan has already been extended to such a project, the bank in question must take necessary remedial measures, and gradually withdraw said loan. With regard to projects listed on the National Restricted Land Use Projects List (《限制用地項目目錄》), loans should be extended with due caution.
- It is forbidden to extend loans to real estate development enterprises to be used exclusively for the payment of land premiums. For land reserve loans in which a mortgage has been taken out, legal land use rights certification must be obtained. In such cases, the mortgage rate shall not exceed 70% of the overall estimated value of the mortgaged property, and the terms of such loans shall, in principle, not exceed two years. Due caution should be taken in extending loans to enterprises which have exceeded the construction period as stipulated in the land grant contract by more than one year, have developed less than one third of the land in question, or have invested less than one fourth of the agreed capital. In addition, strict controls should be employed when extending the terms of loans or rolling over credit to such enterprises. It is forbidden to extend loans to, or accept construction land which has been classified as idle by the land authorities for two years or more as collateral from real estate projects.

In the fourth quarter of 2008, as part of the response to the current global economic crisis, the PRC Government announced a RMB4 trillion fiscal stimulus package to be funded by both the public and private sectors. The National Development and Reform Commission (中華人民共和國國家發展和改革委員會) has outlined that the planned spending will be directed to certain

INDUSTRY AND REGULATORY OVERVIEW

key areas including public infrastructure and low-income housing. It is believed that the main beneficiaries of the fiscal stimulus package will include PRC construction companies, cement and steel companies, property developers and investors. As of April 2009, a total amount of RMB2.3 trillion was injected under the fiscal stimulus package, mainly into the construction of low-income housing and hospitals, sewage systems, railways and energy efficiency projects.

Land Appreciation Tax

Land Appreciation Tax, or LAT, is levied on all entities receiving net profit from the sale or transfer of real estate, at progressive rates ranging from 30% to 60% of the appreciation value. LAT is charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include acquisition cost of land use rights, development cost of land, construction cost of new buildings and facilities or assessed value for used properties and buildings, taxes related to the transfer of real estate and other deductible items as stipulated by the Ministry of Finance. On February 1, 2007, the Circular 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》), or the LAT Circular, issued by the State Administration of Taxation took effect to strengthen the collection of LAT. It regulates (i) the conditions under which LAT must be settled; (ii) the methods in which taxable gains are computed; (iii) identifying items which are allowable deductible costs; (iv) time frame for settlement of the LAT; and (v) requirements for filing of documents. On May 12, 2009, the State Administration of Taxation issued the Administrative Rules on the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》) effective as of June 1, 2009, which further clarifies the specific conditions and procedures for settlement of the LAT. Please see “Regulation Overview — Taxation in China — Land Appreciation Tax” in Appendix IV to this document.

The LAT Circular provides for strengthened collection of LAT through final settlement of LAT being conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo a LAT clearance and settlement process.

According to the LAT Circular, property developers must conduct a final settlement of LAT if any one of the following conditions is satisfied:

- The project is completed and the development is sold;
- The project is transferred as a whole before the completion of the construction; or
- Any land use rights are transferred.

INDUSTRY AND REGULATORY OVERVIEW

In addition, the PRC tax authorities may require a property developer to conduct a final LAT settlement if any one of the following conditions is met:

- For completed projects, the area sold exceeds 85% of the total saleable area, or, where the area sold does not exceed 85% of the total saleable area, the remaining area available for sale has been either rented-out or put to self-use;
- The project has held a sale/pre-sale license for at least three years but has not completed the sale;
- The taxpayer has applied for tax de-registration without conducting LAT settlement; or
- Any other conditions required by tax authorities at provincial level.

We believe we estimate and make adequate provisions for the amount of LAT payable under the law and recognize these provisions in the income tax line item in our profit and loss accounts when we recognize revenue from the sale of our properties. We recognized LAT in 2006, 2007, 2008 and the six months ended June 30, 2009 of RMB2.3 million, RMB41.9 million, RMB200.4 million and RMB198.9 million, respectively. We believe we have been in compliance with the relevant LAT rules and regulations effective from time to time and are prepared to settle any additional LAT, such as may be assessed by the PRC tax authorities at any time. We believe we have sufficient resources to settle LAT payables since our cash and cash equivalents as of August 31, 2009 totalled RMB383.6 million. We also maintain good credit records with banks and, in case of any cash flow problem, we believe we could obtain bank loans secured by our unsold properties. We believe that any additional administrative measures to be applied by the tax authorities for enforcing the LAT circular will have minimal impact on our business and results of operations. For further details of the potential risks associated with LAT, please see “Risk Factors — Risks Relating to the PRC Real Estate Industry — The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations”.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY

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

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

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

Note:

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

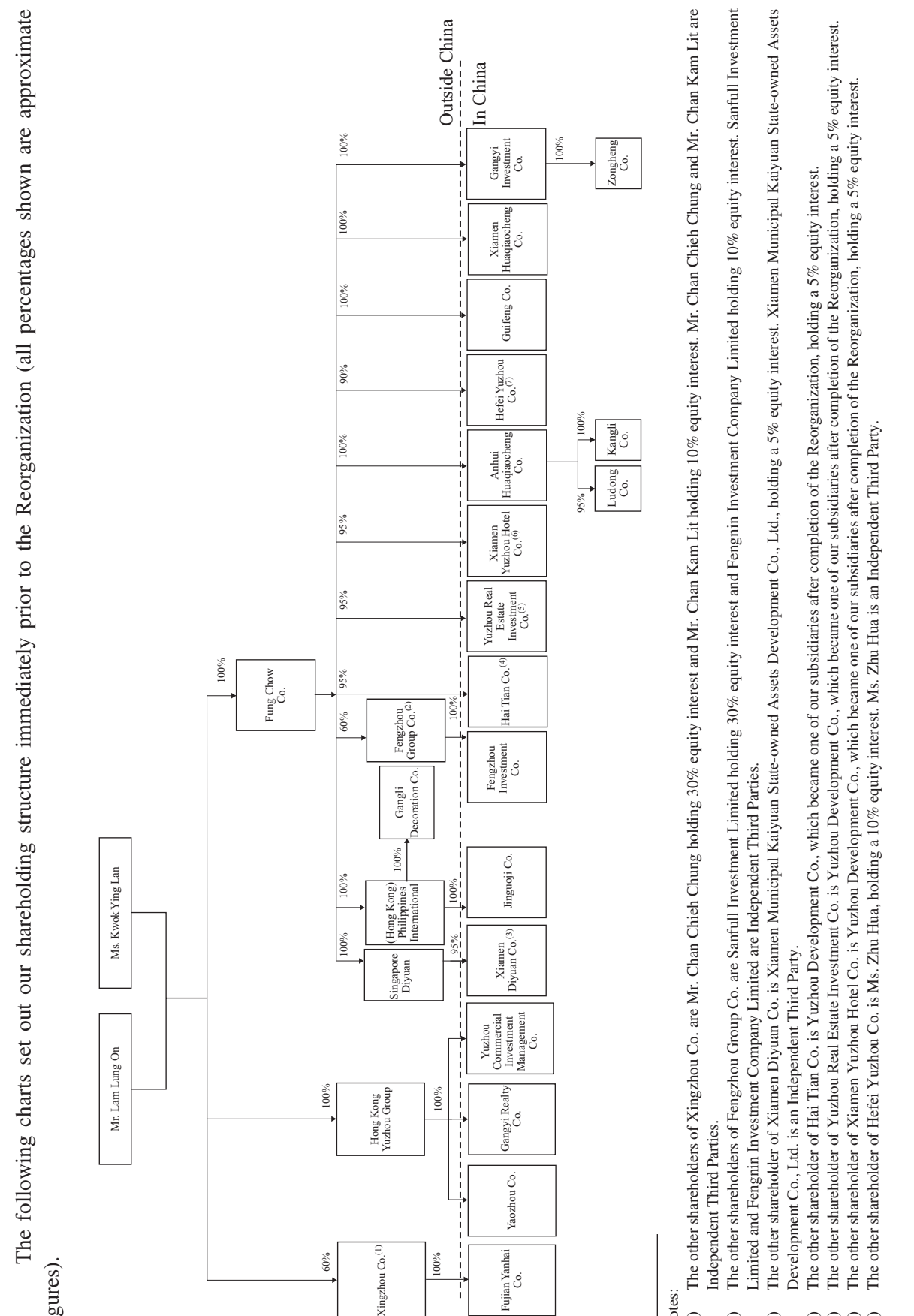
The above companies acquired by our Group possessed only land use rights or properties under development and only pre-construction work (such as planning) had been performed at the time of acquisition and the business operations of the acquired companies were not transferred to our Group. Therefore,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

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

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

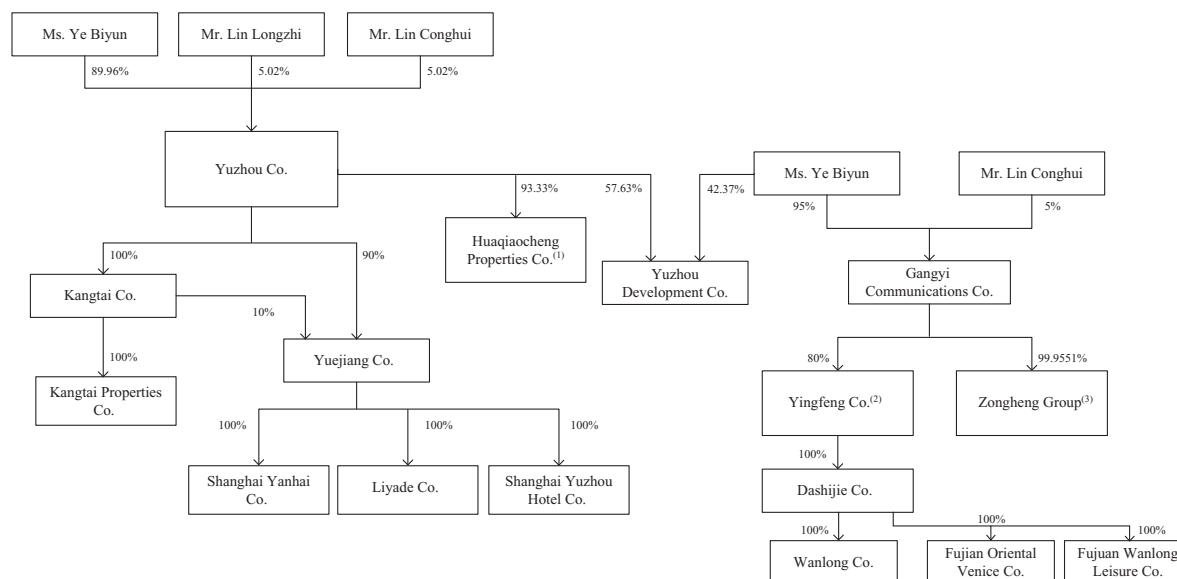
REORGANIZATION

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



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

HISTORY, REORGANIZATION AND GROUP STRUCTURE



Notes:

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

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

The Reorganization consisted of the following transactions:

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

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

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

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

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

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

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

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

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

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

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

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

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

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

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

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

Upon completion of the above reorganization steps outside the PRC:

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

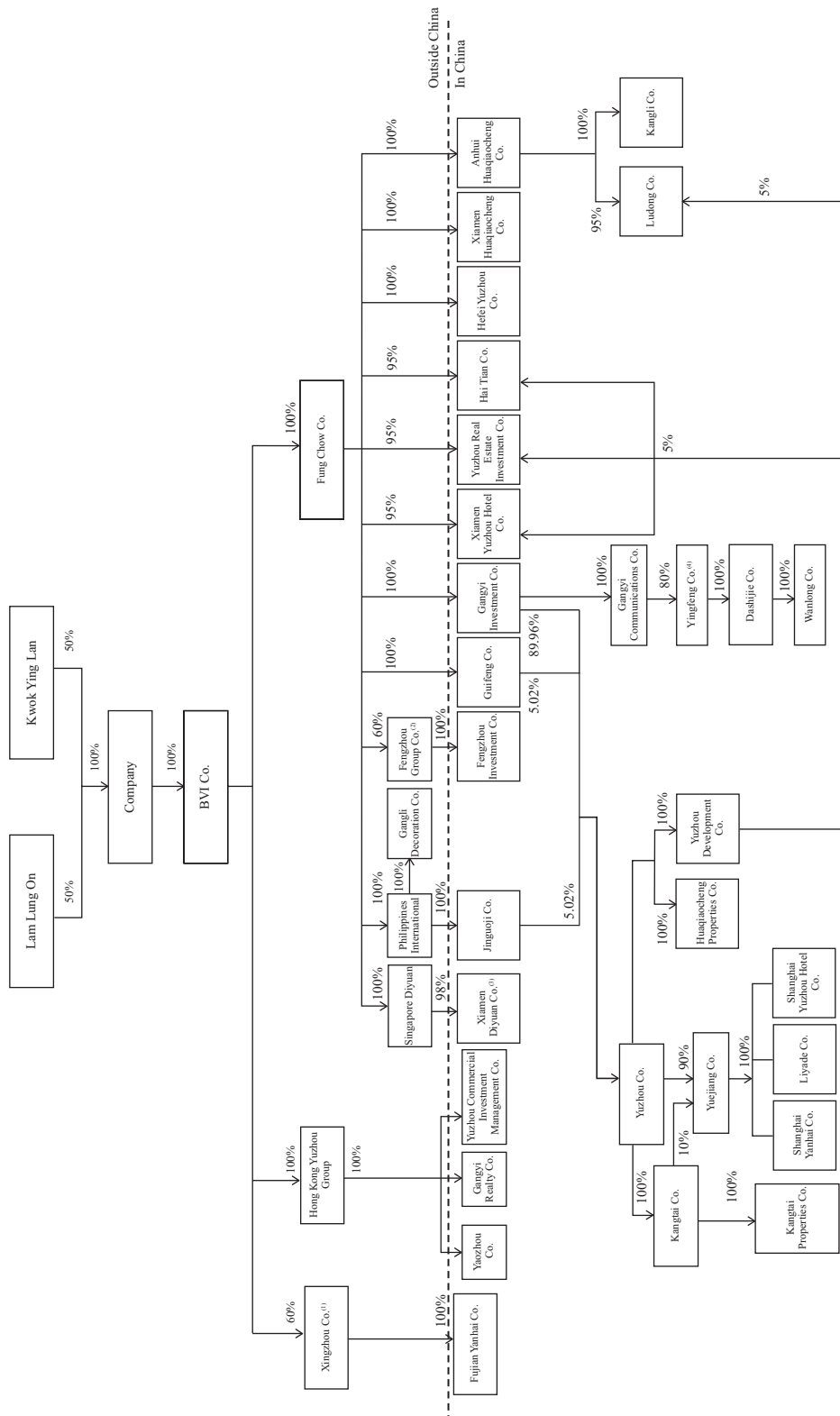
HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

HISTORY, REORGANIZATION AND GROUP STRUCTURE

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



Notes:

The other shareholders of Xingzhou Co. are Mr. Chan Chieh Chung holding 30% equity interest and Mr. Chan Kam Lit holding 10% equity interest, respectively.

The other shareholders of Xingzhou Co. are Mr. Chai Chien Chung holding 30% equity interest and Mr. Chan Kam Lit holding 10% equity interest, respectively. The other shareholders of Fengzhou Group Co. are Sanfull Investment Limited holding 30% equity interest and Fengxin Investment Company Limited holding 10% equity interest, respectively.

The other shareholders of Fengzhou Group Co. are Santuli Investment Limited holding 30% equity interest and Pengmin Investment Company Limited holding 10% equity interest, respectively. The other shareholder of Xiamen Diyuuan Co. is Xiamen Municipal Kaiyuan State-owned Assets Development Co., Ltd., holding a 2% equity interest. Xiamen Municipal Kaiyuan State-owned Assets Development Co., Ltd. is an Independent Third Party.

The other shareholder of Yingfeng Co. is Mr. Liu Yu, holding a 20% equity interest. Mr. Liu Yu is a connected person of our Company by virtue of his substantial shareholding in Yingfeng Co. Other than that, Mr. Liu Yu is independent of our Company and any of its connected persons.

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OVERVIEW

We are one of the leading Fujian-based property developers and we consistently appear in the “Top 100 China Real Estate Enterprises” (中國房地產百強企業)⁽¹⁾. In particular, we were among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009, according to the Xiamen Real Estate Association (廈門市房地產協會)⁽²⁾. We focus on high-quality residential, retail and commercial developments. To diversify our portfolio, we also develop commercial properties, including office buildings, shopping malls and hotels, and retain or intend to retain some of them as long-term investments. We also engage in property-related businesses such as property management for both residential and commercial properties. We have a track record of successfully bringing real estate projects in Xiamen and Shanghai to market. For example, according to the Xiamen Real Estate Association, we were among the top three and five property developers in Xiamen in terms of GFA contractually sold and contracted sales, respectively, in each of 2006, 2007 and 2008. In the six months ended June 30, 2009, according to the Xiamen Real Estate Association, we had the highest aggregate GFA contractually sold and contracted sales among all property developers in Xiamen. We believe that this track record, together with the recognition of our “Yuzhou” brand, positions us well to solidify our leading position in Xiamen, and expand into other cities in Fujian Province as well as other regions in China.

We believe that our success is attributable to our commitment to high-quality design and development, and our attention to details. For example, our Yuzhou Overseas City project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association and Xiamen Daily (廈門日報社), an Independent Third Party newspaper. Our Oriental Venice project received many awards including The International Awards for Liveable Communities (全球最適宜人類居住城市 (社區) 國際大獎)⁽³⁾ in 2005. China Construction Bank awarded the “Outstanding Complex Award” (總行級 “優質樓盤放心房”) to our Yuzhou Harbour City project in 2005. Our Jinqiao International project received the “2009 Central Shanghai Most Valuable Investment Complex” (2009上海中環最具投資價值樓盤) award from NetEase.com Real Estate (網易房產頻道), an Independent Third Party website. In 2006, we received the “China Real Estate Industry Strategic Expansion Gold Award” (中國房地產企業發展戰略拓展金獎) from the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所)⁽⁴⁾, the Institute of Real Estate Studies of Tsinghua University

- (1) The “Top 100 China Real Estate Enterprises” (中國房地產百強企業) is published by the China Real Estate Top 10 Research Team, a research team jointly established by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), which are Independent Third Parties. The China Real Estate Top 10 Research Team has conducted research on the top 100 real estate enterprises in the PRC since 2004. It is an Independent Third Party. Our Group was named one of the “Top 100 China Real Estate Enterprises” in each of the years from 2006 to 2009.
- (2) Xiamen Real Estate Association is an organization registered with the Xiamen Municipal Bureau of Civil Affairs (廈門市民政局) under the sponsorship of Xiamen Municipal Bureau of Construction and Administration (廈門市建設與管理局). The organization’s members include business enterprises, institutions and relevant government agencies in Xiamen that are engaged in real property development and operation, property construction and maintenance, property management and property title management. It is an Independent Third Party.
- (3) The International Awards For Liveable Communities (“The LIVCOM Awards”) is a competition activity that is focused on the issues relating to the management of urban and community living environment, ecological construction, resources utilization and sustainable development. The LIVCOM Awards is authorized by United Nations Environmental Programme and sponsored by IFPRA, an international non-profit organization with more than 700 members in over 60 countries. More than 20 local and national organizations in PRC are formal members of IFPRA. IFPRA is an Independent Third Party.
- (4) The Enterprise Research Institute of the Development Research Center of the State Council is mainly engaged in conducting studies on the theories and policies regarding the systems, organizations, development, competition and expansion of enterprises, the issues arising from or in connection with the restructuring of enterprises and the improvement of ownership structures and productivity, and the issues and policies with respect to the development, incentives, monitoring, mergers, acquisitions and bankruptcy of enterprises. It also provides services for government agencies and enterprises based on the results of its research on various theories, policies and practices. It is an Independent Third Party.

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(清華大學房地產研究所)⁽⁵⁾ and China Index Academy (中國指數研究院)⁽⁶⁾. Our “Yuzhou” brand was also recognized as a “Famous Brand” (著名商標) by the Fujian provincial government and the Xiamen city government⁽⁷⁾.

We commenced our property development business in 1994 and have 18 projects at various stages of development located in Xiamen, Shanghai, Fuzhou and Hefei. As of August 31, 2009, we had completed eight projects with a total site area of approximately 191,958 sq.m. and an aggregate GFA of approximately 924,316 sq.m. As of August 31, 2009, we had ten projects under development with a total site area of approximately 1,734,116 sq.m. and an aggregate GFA of approximately 3,143,127 sq.m. We have obtained land use rights certificates for the land for each of these ten projects.

In 2006, 2007, 2008 and the six months ended June 30, 2009, we delivered a total GFA of approximately 16,127 sq.m., 143,439 sq.m., 193,030 sq.m. and 137,013 sq.m., respectively, generating revenue from property development of approximately RMB86.9 million, RMB1,050.1 million, RMB1,716.5 million and RMB1,285.3 million, respectively. Our revenue generated from property development during the three years ended December 31, 2008 and the six months ended June 30, 2009 was generated primarily from sales of residential properties and, to a lesser extent, from sales of retail properties and car park spaces. Revenue generated from sales of residential properties accounted for approximately 43.4%, 75.0%, 94.1% and 99.9% of our revenue generated from property development in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Revenue generated from sales of residential properties accounted for a smaller portion of revenue generated from property development in 2006 because we did not complete and deliver any new projects or project phases and sold relatively more retail properties and car park spaces in existing projects or project phases in 2006. In 2006, 2007, 2008 and the six months ended June 30, 2009, our profit for the period was approximately RMB11.9 million, RMB377.5 million, RMB369.1 million and RMB974.4 million, respectively.

We intend to continue to focus on property developments in Fujian while pursuing a strategy of prudent growth by expanding into other PRC property markets that may present higher-growth potential, including Shanghai and Hefei. We intend to continue to focus primarily on the development of residential properties while diversifying our property mix by increasing our commercial property development in the future.

(5) The Institute of Real Estate Studies of Tsinghua University conducts research on issues affecting the development process, real estate finance and investment, real estate asset management, urban and real estate economics and property valuation. Faculties associated with the Institute are drawn from the School of Civil Engineering, School of Economic Management and School of Architecture at Tsinghua University. Its research topics include real estate development, valuation, investment and financing, property management, urban land utilization and management. It is an Independent Third Party.

(6) China Index Academy is a research institution organized by multiple experts and academic entities including China Real Estate Index System, Soufun Research Academy, China Villa Index System and China Real Estate Top 10 Research Team to provide all-around services relating to the commercial economy in the PRC. The Academy conducts studies and provides research and advisory services on various topics relating to the real estate market and market participants. It is an Independent Third Party.

(7) We were issued “Famous Brand” certificates by the Fujian provincial government in 2007 and the Xiamen city government in 2003, respectively. The certificate from the Fujian provincial government will expire in 2010. The certificate from the Xiamen City government was renewed in 2009 and will expire in 2012.

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OUR COMPETITIVE STRENGTHS

One of the leading Fujian-based property developers, with a strong focus in Xiamen

We are one of the leading Fujian-based property developers consistently appearing in the “Top 100 China Real Estate Enterprises”. In particular, we are among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009. Xiamen is strategically located in the West Strait Economic Zone, an economic development zone in the southeastern region of China established to promote regional economic integration and cooperation between Fujian Province and Taiwan. The West Strait Economic Zone is developed against the backdrop of improving the cross-strait relationship between Mainland China and Taiwan and the relationship between Fujian and its neighboring provinces, given Fujian’s strategic location connecting the Pearl River Delta Area and the Yangtze River Delta Area. Leveraging our strong focus and leading position in Xiamen’s real estate market, we have been able to and intend to continue to take advantage of Xiamen’s fast-paced economic development and rapidly rising housing demand. In each of 2006, 2007 and 2008, we were among the top three and five, respectively, property developers in Xiamen in terms of GFA contractually sold and contracted sales, respectively. In the six months ended June 30, 2009, we had the highest aggregate GFA contractually sold and contracted sales among all property developers in Xiamen. We have continued to strengthen our competitive position in Xiamen through acquisition of land reserves. We believe we had one of the largest land reserves in Xiamen as of August 31, 2009 with a total GFA of approximately 1.4 million sq.m. in projects under development and potential projects. Most of the land reserves we have acquired are centrally located in commercial areas or offer attractive views. We acquired a majority of our land reserves in the past at prices that were substantially lower than their current market value, according to the Property Valuation in Appendix V to this document. We believe our market foresight and in-depth understanding of the property market arising out of the collective experience of our management team, as well as our extensive market research, have enabled us to seek and capitalize on land acquisition opportunities at relatively early stages of their long-term appreciation potential.

We have also pursued strategic growth and geographic diversity through expansion into other PRC property markets such as Fuzhou, Shanghai and Hefei. We believe these other PRC property markets have growth potential and provide us with opportunities to develop projects that are likely to attract strong interest among buyers and tenants, thus increasing our revenue and profitability. We believe our current land reserve provides us with project development opportunities for the next few years.

High-quality projects and innovative products

We believe the distinctive designs and quality of our projects have successfully distinguished us in the highly competitive property markets in which we operate. Our design team focuses on providing innovative designs and added value for our customers. For example, in our Yuzhou Golden Seacoast and Shuilian Manor projects, our innovative layout design increases the usage area by a factor of approximately 30-40%. Our design for certain units in our Yuzhou Jinqiao International project increases the usage area by a factor of at least 90%. Please see individual project descriptions in “— Completed Projects” and “— Projects under Development” for more details. We believe that, by providing more usage area to our customers, we can translate our strengths in design

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into higher pricing power. We believe our Yuzhou Overseas City project was one of the first computerized residential complexes in Xiamen which utilize a computerized security system with a variety of advanced features such as monitoring sensors and control rooms. We have retained leading domestic and international design firms to advise our design team on critical aspects of property development such as master planning and architectural, landscape and interior design. Utilizing our knowledge of and insights into market trends, we have offered high-quality projects and innovative products which have received awards from and been recognized by different organizations, and have also been well-received by our customers.

We have received various awards in recognition of our property design. For example, our Yuzhou Overseas City project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association (廈門市房地產業協會) and Xiamen Daily (廈門日報社). Our Oriental Venice project received numerous awards including the “China’s Most Scenic Villa” (全國最佳景觀別墅) from China Architectural Culture Center (中國建築文化中心) and The International Awards for Liveable Communities (全球最適宜人類居住城市 (社區) 國際大獎) in 2005 and the “2006 China’s Most Valuable Investment Villa Award” (2006中國最具投資價值極品別墅獎) from Renmin Daily (人民日報社). The Yuzhou Golden Seacoast project was recognized as the “2007 Minnan Ten Best Units — Best Innovative Comfort Unit” (2007閩南十佳人居戶型—最具創意舒適戶型) by the Haixia newspaper (海峽導報). China Construction Bank awarded the “Outstanding Complex Award” (總行級“優質樓盤放心房”) to our Yuzhou Harbour City project in 2005. We seek to position our brand name “Yuzhou” as being closely associated with high-quality developments and distinctive designs, and we believe that we have successfully cultivated a premium brand image.

Diversified property portfolio

We believe our diversified portfolio of residential, retail, office and hotel developments is important to our long-term growth and sustainability. We believe that diversifying our product portfolio in this manner will increase the breadth and stability of our revenue streams by reducing our overall exposure to volatility within any one property sector and to the relatively more volatile nature of residential property sales revenue. In addition, we aim to capitalize on different market growth trends and the continuing development of different property sectors.

To date, we have completed many retail and office spaces in connection with our residential property developments that we have retained for investment purposes. The Mall at the Yuzhou World Trade Center is the first large-scale shopping mall in Xiamen and the tenants in such project include many retail stores, restaurants and supermarkets, such as PCD Stores, Wal-Mart, Music Kitchen Food Court, KFC and McDonald’s. We are in the process of developing Yuzhou International Hotel, a mixed-use project that includes a high-end hotel and a shopping center that we aim to complete by September 2012. We have a dedicated and experienced commercial property management team managing our retail and commercial properties. The diverse tenants of our commercial properties include internationally renowned multi-national corporations, leading domestic firms and small to medium enterprises.

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Well-recognized brand, effective marketing and comprehensive after-sales services

Our success in the past has helped us to develop our brand name “禹洲” (“Yuzhou”) to generally represent high-quality, well-designed residential developments. Our “Yuzhou” brand was recognized as a “Famous Brand” by the Fujian provincial government and the Xiamen city government. We believe owners who purchase our properties generally do so in part due to the premium quality and design that our “Yuzhou” brand represents.

We believe that marketing has been one of the key factors that has helped us establish our strong brand name. For each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we expended RMB5.1 million, RMB27.3 million, RMB15.8 million and RMB11.8 million on advertising, respectively. We have adopted a variety of measures to reach potential customers, including advertising through advertisements, real estate exhibitions, information sessions, multiple sales offices, property web sites. Through our Yuzhou Club program, we keep in close contact with our customers and motivate them to introduce our brand to other potential customers. Please see “— Project Development — Sales and Marketing” for more details. We encourage our customers to help promote our brand by waiving one year of property management fees for our existing customers who refer new customers to us. Based on the number of customers for whom we waived one year of property management fees, approximately 28% of our new purchasers during the three years ended December 31, 2008 and the six months ended June 30, 2009 were referrals from our existing customers, which we believe was partially attributable to our marketing efforts. The waivers of one year of property management fees of these existing customers had no significant financial impact on our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009. In addition, we have established an experienced and specialized property management team to provide after-sales services to our purchasers.

By selling distinctive products and offering after-sales services, we believe we create more opportunities to strengthen our relationship with our customers and increase the likelihood of repeat sales and referrals.

Effective quality control and cost management

We believe we are able to achieve effective quality control and cost management through our standardized project development and centralized procurement processes. We generally select our third-party contractors and suppliers of equipment and materials through a tender process, taking into consideration their track record performance, work quality, proposed delivery schedules and costs. Through such a selection process, we seek to maintain our construction costs at a reasonable level without compromising quality. We typically designate for purchase certain fixture materials such as doors, windows, sanitary fittings and kitchen cabinets, which are required to satisfy national standards or be from certain name brand manufacturers. We monitor quality, cost control and construction progress closely during construction. We typically pay our construction contractors based on construction progress, which we believe provides incentives for the contractors to focus on product quality. As of the Latest Practicable Date, we had not received any customer complaints with regard to material structural defects in our products. We received the High-quality Product Certificate (廈門市優良工程證書) from City of Xiamen City Construction Industry Association (廈門市建築行業協會) for Yuzhou New City, Yuzhou Overseas City and Yuzhou Harbour City in 2005, 2007 and 2008, respectively.

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Experienced and stable management team

We consider the strength of our management team to be fundamental to our success in the highly competitive real estate market. Members of our management team, including our founder and chairman, Mr. Lam Lung On, have on average more than nine years of experience in the PRC real estate industry and also have considerable strategic planning and business management expertise. Most of our executive directors and senior management personnel have been working with us for more than eight years and form a stable core team that operates well together. In recent years, while maintaining the stability of our core management team, we have recruited senior and mid-level executives with expertise in various areas through a selective recruitment process. We believe the stability of our management team and the extensive experience of its members in property development, industry knowledge and in-depth understanding of the real estate market should enable us to continue to take advantage of future market opportunities and expand into new markets.

OUR STRATEGIES

Strengthen our position as one of the leading Fujian-based property developers and leverage our expertise to expand into the southeastern region of China

We intend to continue to strengthen our position as one of the leading Fujian-based property developers and increase our market share in Fujian’s property market. We also intend to continue pursuing our strategic growth and geographic diversity by leveraging our reputation and expertise in Xiamen to expand into the southeastern region of China, particularly the West Strait Economic Zone. We believe that, with the recent improvements in cross-Taiwan Strait relations and with the support of the PRC government, the West Strait Economic Zone has economic growth potential and we intend to focus on property development in this region to capitalize on the economic growth potential. To this end, we intend to increase our presence in Fuzhou and other parts of Fujian Province by seeking more property development opportunities. In addition, we intend to further expand into Shanghai, Hefei and other selected cities in the southeastern region of China that we believe have market growth potential. We believe a geographically diversified property portfolio is important for sustaining our growth and income stability because it reduces the risk of over-reliance on any particular property market and allows us to capitalize on different market growth trends in different property markets.

Continue to capitalize on and enhance our “Yuzhou” brand name and customer loyalty by developing high-quality and innovative projects

We intend to continue to promote the “Yuzhou” brand by continuing to focus on quality and innovation in our property projects and providing strong after-sales support and property management services. To create high-quality and innovative projects, we will continue our strategy of conducting in-depth market research and analysis with the aim of identifying property trends and potential development opportunities as early as possible in a given locality’s potential development cycle. We will also continue to implement our current business practices, which involve utilizing our economies of scale in order to strengthen our negotiating position for construction contracts as well as collaborating with well-known architects and designers to create market-leading projects.

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We believe that delivering value to our customers and increasing their overall satisfaction with our products will enable us to further strengthen our “Yuzhou” brand and reinforce its association with prestige and quality. At the same time, we intend to continue to build market recognition of the “Yuzhou” brand through marketing initiatives such as advertising campaigns and organizing events for our customer base.

Continue to pursue property diversification and increase our proportion of investment properties

We intend to continue to expand into the retail, hotel and office property sectors in the PRC to achieve greater balance in our future revenues. We also aim to continue to increase our proportion of properties held for investment to achieve greater revenue stability through recurring rental income. We believe that such diversification measures will increase the breadth and stability of our revenue streams by reducing our risk of over-reliance on any particular property sector.

In relation to our retail and office properties, we intend to focus on high-quality properties that are located in central commercial areas of major cities. Due to the continuing economic growth in China, rental prices for retail and commercial properties have increased significantly in recent years and we believe this trend will continue. We have already entered into long-term tenancy agreements with reputable anchor tenants for those retail and commercial properties that we hold for investment purposes to secure stable and recurring rental income streams. We intend to enter into similar tenancy agreements for other retail and commercial properties that we plan to develop. In relation to hotels, we plan to focus on developing luxury hotels to be operated by renowned international hotel management groups.

We aim to derive approximately 90% of our future net income from sale of properties and approximately 10% of our future net income from operation of our investment properties in a few years.

Continue to expand our land bank in a disciplined manner

We intend to continue to efficiently acquire land supply in our target cities. We intend to make acquisition decisions based on thorough research and analysis of a given project’s expected returns in light of anticipated future property and economic trends in our target cities. We also intend to continue leveraging our strong brand name and financial track record to obtain attractive financing and refinancing opportunities. We believe that beginning with efficient land acquisitions and following through with well-executed developments will allow us to expand further into our target cities and provide sustainable growth to our business.

Adopt international industry best practices and maintain an efficient organizational structure

We aim to maintain a transparent and employee-friendly corporate culture which encourages responsibility, innovation and cooperation. We intend to continue to adopt international industry best practices and standards of corporate governance. We plan to draw on our senior management expertise

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and experience and actively interact with international business partners and professional advisors. We intend to maintain an organizational structure that is in line with our business development plans with a view to maintaining and increasing the efficiency of our operations. We provide, and plan to continue to provide, incentives to our management and employees taking into consideration performance as well as different levels of training specifically tailored to the different functions and levels of expertise of our employees.

DESCRIPTION OF OUR PROPERTY DEVELOPMENTS

Overview of Our Projects

Our current portfolio of property development projects consists of 18 projects at various stages of development in Xiamen, Shanghai, Fuzhou and Hefei. We divide our property developments into two categories: completed projects and projects under development.

A project is considered completed when we have received the Completed Construction Works Certified Report (竣工驗收備案表或竣工驗收備案證明書) from the relevant government construction authorities. A project is considered to be under development if we have commenced the construction work with respect to part or all of the project and before completion of the entire project. For further details, please see the Property Valuation in Appendix V to this document.

As some of our projects comprise multiple-phase developments on a rolling basis, one project may include different phases at various stages of completion or under development. For the purpose of this section of this document, a project comprising multiple-phases is considered to be a project under development if we have commenced the construction work with respect to at least one phase of the development.

As of August 31, 2009, we had 18 projects with a total site area of approximately 1,926,075 sq.m. and a total GFA of approximately 4,067,443 sq.m. The site area information for an entire project is based on the relevant land use rights certificates. The total GFA of a project comprises saleable GFA and non-saleable GFA and refers to (i) total GFA completed for completed property developments and (ii) total GFA under development for properties under development. Saleable GFA refers to (i) the internal floor areas, exclusive of non-saleable GFA (which refers to certain communal facilities, including, among others, schools), allocated to the residential units and other properties that we develop for sale and (ii) GFA that is held for investment only (including office buildings for rent, retail shop units, hotels, schools and kindergartens and certain car park spaces). With respect to GFA that is held for investment only, we hold these properties as investments to earn rental income and/or for capital appreciation. However, we have the discretion to sell such properties if we believe sales will generate more economic value than retention.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. Properties are pre-sold when we have executed the purchase contract but have not yet delivered the properties to the customer. The property is delivered to the customer upon the property being completed, inspected and accepted as qualified. Please see

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“Regulatory Overview” in Appendix IV to this document for more details. Information regarding land costs and development costs in this document is based solely on our internal records or estimates.

We include in this document the project names which we have used, or intend to use, to market our properties. Some of the names for our property developments are pending approvals by the relevant government authorities and may be subject to change.

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The following table sets forth the GFA in sq.m. and other information of our 18 projects as of August 31, 2009:

Project ⁽¹⁾	Site Area (sq.m.)	Location	Total GFA Completed ⁽²⁾ (sq.m.)	Total GFA Under Development ⁽²⁾ (sq.m.)	Total GFA (sq.m.)	Our Interest in the Project	Total Saleable GFA Unsold ⁽⁴⁾			Total Saleable GFA ⁽³⁾ (sq.m.)	Sales Contribution During the three years ended		Completion or Estimated Completion Date of the Project ⁽⁷⁾	Reference to Property Valuation in Appendix V	
							Held for Sale Only (sq.m.)	Held for Investment Only ⁽⁵⁾ (sq.m.)	Pre-sold ⁽⁶⁾ (sq.m.)		December 31, 2008 and the six months ended June 30, 2009 (RMB'000)	Total Saleable GFA Sold or Pre-sold ⁽⁶⁾ (sq.m.)			
Completed Projects															
Yuzhou Overseas City	27,703	Xiamen	239,627	0	239,627	100%	236,745	3,926	1,101	231,719	840,198	2006	2, 16, 17		
Yuzhou Shuilian Manor	12,909	Xiamen	29,126	0	29,126	100%	27,325	919	0	26,406	187,381	2006	15		
Yuzhou Hai Tian Plaza	6,316	Xiamen	65,104	0	65,104	100%	64,575	4,223	0	60,352	474,873	2007	13		
Yuzhou Harbour City	20,089	Xiamen	191,649	0	191,649	60%	186,013	6,495	0	179,518	954,197	2007	11, 14		
Yuzhou New City	25,610	Xiamen	93,473	0	93,473	100%	90,771	5,816	0	84,955	24,581	2005	7, 10		
Yuzhou Garden	27,345	Xiamen	92,888	0	92,888	100%	92,119	2,717	0	89,402	13,968	2000	8, 9, 12		
Yuzhou New Manor	45,619	Xiamen	118,892	0	118,892	100%	118,641	21	0	118,620	1,124	2003	18		
Galaxy Garden	26,367	Xiamen	93,556	0	93,556	100%	84,164	10,737	0	73,427	372,000	2008	23		
Projects Under Development															
Yuzhou Golden Seacoast	70,793	Xiamen	122,285	120,715	243,000	100%	233,350	87,036	41,314	105,000	346,728	2010/09	6, 21, 30		
Yuzhou World Trade Center	19,454	Xiamen	136,312	68,164	204,477	100%	183,372	39,823	49,838	93,711	616,039	2009/12	1, 5, 22, 31		
Yuzhou Jinqiao International	49,738	Shanghai	91,763	142,750	234,513	100%	231,504	119,130	15,765	96,609	307,720	2012/10	3, 4, 19, 20, 34, 37		
Oriental Venice	706,397	Fuzhou	0	365,512	365,512	80%	354,855	277,719	15,733	61,403	0	2013/05	25, 26, 36		
Yuzhou Gu Shan No. One	234,160	Fuzhou	0	87,576	87,576	60%	83,224	83,224	0	0	0	2010/12	27		
Yuzhou International Hotel	60,018	Xiamen	0	125,221	125,221	100%	102,142	0	102,142	0	0	2012/09	32		
Yuzhou Gangyi Square	3,333	Xiamen	0	60,251	60,251	100%	57,861	0	57,861	0	0	2012/11	29		
Yuzhou Yuanbo City	90,750	Xiamen	0	480,252	480,252	100%	458,609	287,157	10,059	161,393	0	2012/09	33		
Yuzhou Diyuwan Manor	52,715	Xiamen	0	193,767	193,767	98%	176,525	161,189	15,336	0	0	2011/09	28		
Yuzhou Huaqiao City	446,757	Hefei	0	1,148,560	1,148,560	100%	1,144,260	1,045,560	98,700	0	0	2014/12	35		
Total	1,926,075		1,274,676	2,792,768	4,067,443		3,926,056	2,135,691	407,850	1,382,516					

Notes:

- (1) As of the Latest Practicable Date, we had obtained all the required land use rights certificates for our properties under development and completed properties. Please see “— Description of Our Property Developments” for details.
- (2) “Total GFA Completed” and “Total GFA Under Development” for completed property developments and properties under development, respectively, are derived from our internal records.
- (3) “Total Saleable GFA” is derived from our internal records and estimates.
- (4) “Total Saleable GFA Unsold” for completed property development and properties under development represent the aggregate saleable GFA for the entire project less the total saleable GFA sold or pre-sold as derived from information in the relevant purchase contracts with our customers.
- (5) “Total Saleable GFA Unsold — Held for Investment Only” reflects total rentable GFA for all of our projects except for Yuzhou International Hotel which is not for sale and is held for investment purposes only. Yuzhou International Hotel will be operated as a hotel under the “Radisson” brand by Carlson Asia Pacific Hotel Management Pty. Limited.
- (6) “Total Saleable GFA Sold or Pre-sold” reflects, for completed projects, total saleable GFA sold, and, for projects under development, total saleable GFA pre-sold.
- (7) Please see “— Description of Our Property Developments” for details of the pre-sale commencement dates of each phase of our projects.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

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The table below sets forth the saleable GFA information of our 18 projects in terms of the use or planned use of the properties as of August 31, 2009.

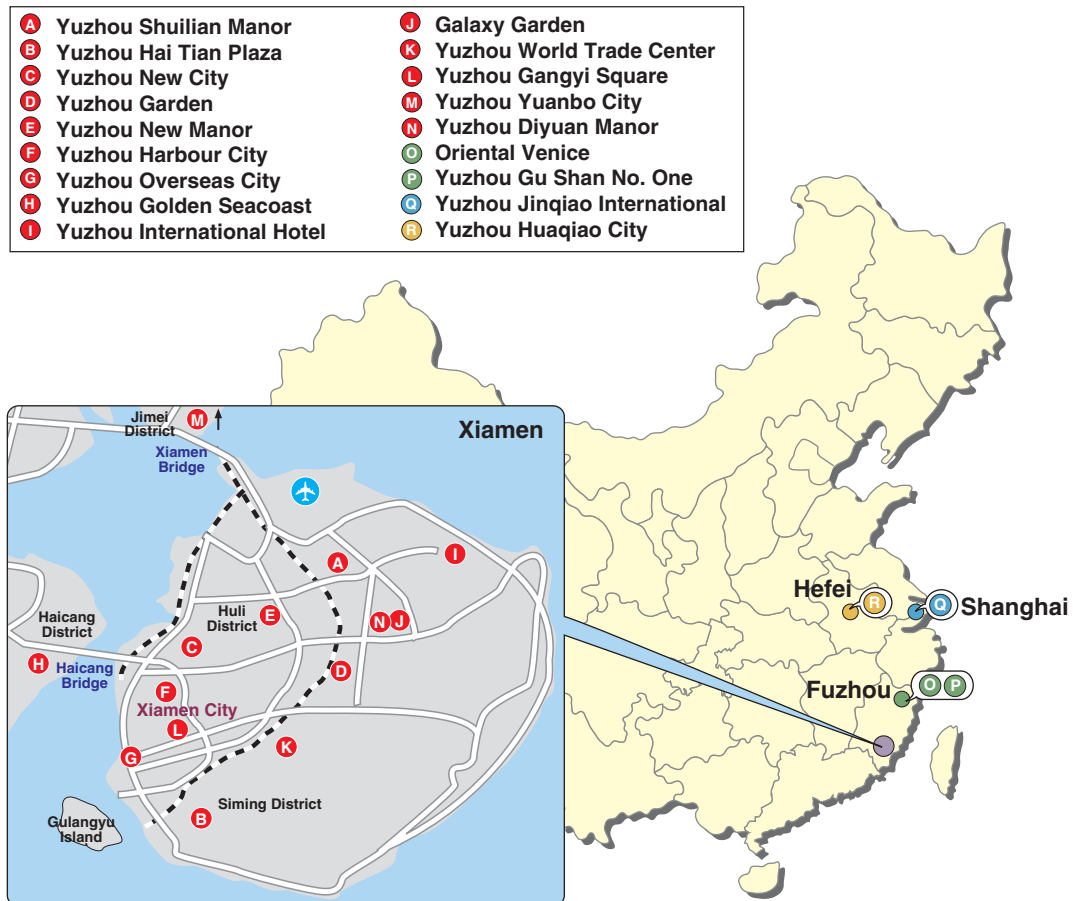
	Completed Properties⁽¹⁾ GFA (sq.m.)	Properties Under Development⁽²⁾ GFA (sq.m.)
Properties for sale		
Residential	777,441	2,170,742
Retail	57,047	15,764
Car park spaces	63,560	256,592
Office	1,204	175,857
Subtotal	<u>899,252</u>	<u>2,618,954</u>
Properties for investment		
Retail	0	261,043
Hotel	0	60,018
Office	0	59,915
Car park spaces	0	8,863
Other ⁽³⁾	<u>1,101</u>	<u>16,910</u>
Subtotal	<u>1,101</u>	<u>406,749</u>
Total	<u>900,353</u>	<u>3,025,703</u>
Attributable GFA (sq.m.)⁽⁴⁾	<u>825,948</u>	<u>2,917,912</u>

Notes:

- (1) For our completed properties, total saleable GFA sold as of August 31, 2009 was 864,399 sq.m.
- (2) For our properties under development, total saleable GFA pre-sold as of August 31, 2009 was 518,117 sq.m.
- (3) Includes school and kindergartens.
- (4) The attributable GFA represents the portion of the total GFA which is attributable to us, based on our interest in the relevant project. Our interests in the relevant projects are set out in the Property Valuation in Appendix V. For the properties that are completed or under development, these figures include the GFA of units which have been pre-sold or sold.

BUSINESS

The following map illustrates the geographic locations of our 18 property development projects:



BUSINESS

The following are detailed descriptions of our 18 projects as of the Latest Practicable Date. The commencement date relating to each project or each phase of a project refers to the date of the work commencement permit. The completion date set out in the descriptions of our completed property developments refers to the date on which the Completed Construction Works Certified Report was obtained for each project (or each phase of a multi-phase project). For projects or project phases under development, the completion date of a project or project phase reflects our best estimate based on our current development plans.

COMPLETED PROJECTS

Yuzhou Overseas City (禹洲華僑海景城)



Yuzhou Overseas City is a residential complex located in the Old Town area of Xiamen, at the edge of West Hexiang Road (禾祥西路). The project is located near commercial centers and educational institutions. In addition, residents enjoy views of Xiamen Gulf Park (海灣公園), Yundang Lake (筭管湖), and Xiamen’s western coast. We offer a wide range of lifestyle amenities to our residents. The commercial section of the project has become an international food court that connects with the Hexiang Road Food Street (禾祥美食街) to provide a commercial area. The project received the “2004-2005 Outstanding Project Award in Xiamen” (2004-2005年度廈門地產風雲榜優秀樓盤) from Xiamen Real Estate Association (廈門市房地產業協會) and Xiamen Daily (廈門日報社), and the “2005 Minnan Ten Best Units — Best Innovative Comfort Unit” (2005閩南十佳人居戶型—最具創意舒適戶型) from the Haixia newspaper (海峽導報).

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB20 million. The project occupies a total site area of approximately 27,703 sq.m. with an aggregate GFA of 239,627 sq.m. It comprises 1,333 residential units with a total saleable GFA of approximately 194,149 sq.m., 174 retail units with a total saleable GFA of approximately 22,330 sq.m., 10 office units with a GFA of 1,204 sq.m. and 327 car park spaces with a GFA of 17,961 sq.m. As of August 31, 2009, over 99% of

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the GFA of the residential units had been sold. Currently, we retain a total saleable GFA of approximately 1,101 sq.m. for investment purposes. The project is divided into two phases and was developed by Xiamen Huaqiaocheng Co., one of our wholly-owned subsidiaries. We hold 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	September 2002 to December 2004
Pre-sale commencement date	January 2005
Development costs ⁽¹⁾ incurred as of December 31, 2008 (RMB in millions) . . .	512
Total completed GFA (sq.m.)	136,032

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	115,202	11,361	8,351
Total saleable GFA sold (sq.m.)	115,202	11,361	7,486
Percentage of saleable GFA sold (%)	100	100	90
Total number of units	782	76	182
Average selling price per sq.m. (RMB)	5,883	9,975	4,809

Phase II

Construction period	September 2004 to October 2006
Pre-sale commencement date	November 2005
Development costs ⁽¹⁾ incurred as of December 31, 2008 (RMB in millions)	548
Total completed GFA (sq.m.)	103,594

	<u>Residential</u>	<u>Retail</u>	<u>Office Space</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	78,948	10,969	1,204	9,610
Total saleable GFA sold (sq.m.)	78,074	10,969	0	8,626
Percentage of saleable GFA sold (%)	99	100	0	90
Total number of units	551	98	10	145
Average selling price per sq.m (RMB)	8,353	12,417	—	3,980

Note:

- (1) For the purposes of this section, development costs of a project or project phase only include construction costs and exclude land costs and capitalized interest expenses.

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Yuzhou Shuilian Manor (水蓮山莊)



Yuzhou Shuilian Manor is a residential complex located on Jinshang Road (金尚路) in Xiamen, near Wuyuan Bay (五緣灣) and several Fortune 500 companies. Certain units in Yuzhou Shuilian Manor feature innovative layout design elements which increase the usage area by a factor of approximately 30-40%. For example, due to our innovative design, certain rooms in these units qualify as semi-open patios for which only half of the actual usage area is considered as saleable GFA under relevant PRC regulations. In addition, the project features a garden, swimming pool, badminton courts, greenway and other amenities. The project received the “2005 Minnan Ten Best Units — Best Value Unit Design” (2005閩南十佳人居戶型—最具價值戶型) from the Haixia newspaper (海峽導報).

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB26.5 million. The project occupies a total site area of approximately 12,909 sq.m. with an aggregate GFA of 29,126 sq.m. As of August 31, 2009, all of the residential units had been sold. The project was developed by Yaozhou Co., our wholly-owned subsidiary. We hold a 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Construction period	December 2004 to December 2006
Pre-sale commencement date	August 2005
Development costs incurred as of December 31, 2008 (RMB in millions)	114
Total completed GFA (sq.m.)	29,126

	Residential	Retail	Car Park Spaces
Total completed saleable GFA (sq.m.)	23,470	955	2,900
Total saleable GFA sold (sq.m.)	23,470	955	1,981
Percentage of saleable GFA sold (%)	100	100	68
Total number of units	248	13	62
Average selling price per sq.m. (RMB)	7,666	13,425	2,495

BUSINESS

Yuzhou Hai Tian Plaza (禹洲海天廣場)



Yuzhou Hai Tian Plaza is a residential complex located in Xiamen on South Siming Road (思明南路). The project is close to Huaqiao Museum (華僑博物館), Hongshan Park (鴻山公園), Nanputuo mountain (南普陀五老峰) as well as Xiamen University and other educational institutions. The project provides its residents with views of the ocean and the Nanputuo mountains.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB25.8 million. The project occupies a total site area of approximately 6,316 sq.m. with an aggregate GFA of 65,104 sq.m. It comprises 395 residential units with a total saleable GFA of approximately 57,347 sq.m., 24 retail units with a total saleable GFA of approximately 2,001 sq.m. and 87 car park spaces with a GFA of 5,227 sq.m. As of August 31, 2009, over 98% of the GFA of the residential units had been sold. The project was developed by Hai Tian Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Construction period	October 2004 to November 2007
Pre-sale commencement date	October 2005
Development costs incurred as of December 31, 2008 (RMB in millions)	234
Total completed GFA (sq.m.)	65,104

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	57,347	2,001	5,227
Total saleable GFA sold (sq.m.)	55,966	1,009	3,376
Percentage of saleable GFA sold (%)	98	50	65
Total number of units	395	24	87
Average selling price per sq.m. (RMB)	8,496	38,103	4,701

BUSINESS

Yuzhou Harbour City (禹洲海灣新城)



Yuzhou Harbour City is a residential complex located on North Hubin Road (湖濱北路) in Xiamen near Yundang Lake (筭簕湖). The project is adjacent to numerous restaurants, markets, hospitals, schools and business centers and is flanked by the Xianyue mountains (仙岳山) and Yundang Lake. The project received the “Outstanding Complex Award” (總行級“優質樓盤放心房”) awarded by China Construction Bank in 2005.

We acquired the land for the project through a judicial procedure. The consideration for the land was RMB145.8 million. The project occupies a total site area of approximately 20,089 sq.m. with an aggregate GFA of 191,649 sq.m. It comprises 1,260 residential units with a total saleable GFA of approximately 156,469 sq.m., 38 retail units with a total saleable GFA of approximately 7,820 sq.m. and 367 car park spaces with a GFA of 21,724 sq.m. As of August 31, 2009, 1,245 residential units had been sold. The project is divided into two phases and was developed by Fengzhou Investment Co., one of our subsidiaries. We hold a 60% interest in the project.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	September 2003 to October 2005
Pre-sale commencement date	November 2004
Development costs incurred as of December 31, 2008 (RMB in millions)	190
Total completed GFA (sq.m.)	74,260

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	55,640	7,214	10,450
Total saleable GFA sold (sq.m.)	55,640	7,214	10,400
Percentage of saleable GFA sold (%)	100	100	99
Total number of units	538	22	196
Average selling price per sq.m. (RMB)	5,048	9,925	3,358

Phase II

Construction period	December 2004 to November 2007
Pre-sale commencement date	October 2005
Development costs incurred as of December 31, 2008 (RMB in millions)	350
Total completed GFA (sq.m.)	117,389

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	100,829	607	11,274
Total saleable GFA sold (sq.m.)	98,071	435	7,759
Percentage of saleable GFA sold (%)	97	72	69
Total number of units	722	16	171
Average selling price per sq.m. (RMB)	8,729	17,424	3,889

BUSINESS

Yuzhou New City (禹洲新城)



Yuzhou New City is a residential complex located in Xiamen to the east of Dongdu Haotou Shugang Road (東渡濠頭疏港路). It is adjacent to Xianyueshan Forest Park (仙岳山森林公園), Haicang Bridge (海滄大橋), and Niutoushan Park (牛頭山公園風景區). The project contains a large-size green area and swimming pool. The project received the “2003 My Ideal Home Award” (2003 我心中的理想家園) from Fujian Daily (福建日報社) and the Fujian Consumer Commission (福建省消費者委員會).

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB60.5 million. The project occupies a total site area of approximately 25,610 sq.m. with an aggregate GFA of 93,473 sq.m. It comprises 754 residential units with a total saleable GFA of approximately 76,602 sq.m., 138 retail units with a total saleable GFA of approximately 11,008 sq.m. and 100 car park spaces with a GFA of 3,161 sq.m. As of August 31, 2009, all of the residential units had been sold. The project is divided into two phases and was developed by Yuzhou Development Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	August 2001 to November 2002
Pre-sale commencement date	October 2001
Development costs incurred as December 31, 2008 (RMB in million)	36
Total completed GFA (sq.m.)	26,130

	<u>Residential</u>	<u>Retail</u>
Total completed saleable GFA (sq.m.)	23,061	3,069
Total saleable GFA sold (sq.m.)	23,061	2,854
Percentage of saleable GFA sold (%)	100	93
Total number of units	268	62
Average selling price per sq.m. (RMB)	2,883	7,730

Phase II

Construction period	April 2003 to January 2005
Pre-sale commencement date	August 2003
Development costs incurred as December 31, 2008 (RMB in million)	183
Total completed GFA (sq.m.)	67,343

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.)	53,541	7,939	3,161
Total saleable GFA sold (sq.m.)	53,541	4,154	1,345
Percentage of saleable GFA sold (%)	100	52	43
Total number of units	486	76	100
Average selling price per sq.m. (RMB)	4,454	10,597	3,970

BUSINESS

Yuzhou Garden (禹洲花園)



Yuzhou Garden is a residential community located in Xiamen at the intersection of Jinshang Road (金尚路) and Lianqian Road (蓮前大道). The project is located next to schools, financial centers, markets, shopping centers and entertainment facilities. The traditional Chinese style project was well-received by the market for its design and quality and won the “Outstanding Sales Complex Award” (優秀營銷樓盤) from the Xiamen Real Estate Association (廈門市房地產業協會) in 1999.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB54.4 million. The project occupies a total site area of approximately 27,345 sq.m. with an aggregate GFA of 92,888 sq.m. It comprises 938 residential units with a total saleable GFA of approximately 78,207 sq.m., 174 retail units with a total saleable GFA of approximately 12,064 sq.m. and 57 car park spaces with a GFA of 1,849 sq.m. As of August 31, 2009, all of the residential units had been sold. The project is divided into three phases and was developed by Yuzhou Development Co. and Yaozhou Co., both of which are our wholly-owned subsidiaries. We hold a 100% interest in the project.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	October 1998 to May 1999
Pre-sale commencement date	October 1999
Development costs incurred as December 31, 2008 (RMB in million)	38
Total completed GFA (sq.m.)	27,205

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.)	21,355	5,739	111
Total saleable GFA sold (sq.m.)	21,355	5,256	21
Percentage of saleable GFA sold (%)	100	92	19
Total number of units	260	67	5
Average selling price per sq.m. (RMB)	2,541	5,550	5,273

Phase II

Construction period	December 1999 to December 2000
Pre-sale commencement date	September 2001
Development costs incurred as December 31, 2008 (RMB in million)	74
Total completed GFA (sq.m.)	29,546

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.)	24,461	3,988	1,097
Total saleable GFA sold (sq.m.)	24,461	2,296	666
Percentage of saleable GFA sold (%)	100	58	61
Total number of units	270	62	28
Average selling price per sq.m. (RMB)	2,723	9,070	2,735

Phase III

Construction period	June 1999 to April 2000
Pre-sale commencement date	October 2001
Development costs incurred as December 31, 2008 (RMB in million)	53
Total completed GFA (sq.m.)	36,138

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.)	32,391	2,336	641
Total saleable GFA sold (sq.m.)	32,391	2,336	621
Percentage of saleable GFA sold (%)	100	100	97
Total number of units	408	45	24
Average selling price per sq.m. (RMB)	2,602	8,450	4,261

BUSINESS

Yuzhou New Manor (禹洲新村)



Yuzhou New Manor is a residential complex located on Nanshan Road (南山路) in Xiamen’s Huli (湖裏) District. Taking advantage of its vicinity to the Xian Yue mountains (仙岳山), the project provides numerous gardens, greens, and relaxation areas that compliment the natural surroundings.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB58.6 million. The project occupies a total site area of approximately 45,619 sq.m., with an aggregate GFA of 118,892 sq.m. It comprises 1,316 residential units with a total saleable GFA of approximately 114,103 sq.m., 18 retail units with a total saleable GFA of approximately 868 sq.m. and 142 car park spaces with a GFA of 3,669 sq.m. As of August 31, 2009, all of the residential units had been sold. The project is divided into two phases and was developed by Yuzhou Development Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	August 1996 to March 1999
Pre-sale commencement date	August 1997
Development costs incurred as December 31, 2008 (RMB in million)	136
Total completed GFA (sq.m.)	77,044

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.)	72,863	667	3,513
Total saleable GFA sold (sq.m.)	72,863	667	3,493
Percentage of saleable GFA sold (%)	100	100	99
Total number of units	871	12	137
Average selling price per sq.m. (RMB)	2,447	4,715	2,320

Phase II

Construction period	March 2002 to June 2003
Pre-sale commencement date	November 2001
Development costs incurred as December 31, 2008 (RMB in million)	212
Total completed GFA (sq.m.)	41,848

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Space</u>
Total completed saleable GFA (sq.m.)	41,240	201	156
Total saleable GFA sold (sq.m.)	41,240	201	156
Percentage of saleable GFA sold (%)	100	100	100
Total number of units	445	6	5
Average selling price per sq.m. (RMB)	3,117	5,933	4,160

BUSINESS

Galaxy Garden (星洲花園)



Galaxy Garden is a residential complex located in Xiamen at the intersection of Jinshang Road (金尚路) and Jinhu Road (金湖路), close to Wuyuan Bay (五緣灣). We believe our innovative interior design increases each unit’s usable space. The project received the “2007 Ten Best Minnan Ten Best Units — Best Classic Comfort Unit” (2007閩南十佳人居戶型——最經典舒適戶型) from the Haixia newspaper (海峽導報).

We acquired the land for the project by signing land use rights grant agreements with the PRC Government. The consideration for the land was RMB160.7 million. The project occupies a site area of approximately 26,367 sq.m. with an aggregate GFA of approximately 93,556 sq.m. As of August 31, 2009, over 91% of the GFA of the residential units had been sold. The project was developed by Yaozhou Co., our wholly-owned subsidiary. We hold a 100% interest in the project.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Construction period	October 2006 to December 2008
Pre-sale commencement date	August 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	232
Total completed GFA (sq.m.)	93,556

	<u>Residential</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	77,095	7,069
Total saleable GFA sold (sq.m.)	73,427	0
Percentage of saleable GFA sold (%)	95	0
Total number of units	610	126
Average selling price per sq.m. (RMB)	9,817	—

BUSINESS

PROJECTS UNDER DEVELOPMENT

Yuzhou Golden Seacoast (禹洲華僑金海岸)



Yuzhou Golden Seacoast is expected to be a residential complex located on Xinggang Road (興港大道) in Xiamen’s Haicang District (海滄區), close to Haicang Shizheng Plaza (海滄市政廣場), as well as Haicang’s music hall and theater. Certain units in Yuzhou Golden Seacoast feature innovative layout design elements which increase the usage area by a factor of approximately 30-40%. For example, due to our innovative design, certain rooms in these units qualify as semi-open patios for which only half of the actual usage area is considered as saleable GFA under relevant PRC regulations. The project received the “2007 Minnan Ten Best Units — Best Innovative Comfort Unit” (2007閩南十佳人居戶型—最具創意舒適戶型) from the Haixia newspaper (海峽導報).

Yuzhou Development Co., one of our wholly-owned subsidiaries, acquired the land for the project through a government-organized listing-for-sale. The consideration for the land was RMB376.0 million. In August 2006, the transferee of the land was changed to Yuzhou Real Estate Investment Co., one of our wholly-owned subsidiaries. The project is expected to occupy a site area of approximately 70,793 sq.m. with a planned aggregate GFA of approximately 243,000 sq.m. The project is being developed by Yuzhou Real Estate Investment Co. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits. We have also received a pre-sale permit with respect to this project. We plan to hold a total saleable GFA of approximately 41,314 sq.m. for investment purposes.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period	November 2006 to September 2010
Pre-sale commencement date	October 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	309
Estimated further development costs to complete the project (RMB in millions)	158
Total completed GFA (sq.m.)	122,285
Total planned GFA under development (sq.m.)	120,426

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	89,532	20,376	6,069
Total saleable GFA under development (sq.m.)	84,982	20,938	11,454
Total saleable GFA sold (sq.m.)	105,000	0	0
Percentage of saleable GFA sold (%)	60	0	0
Planned total number of units	1,522	432	359

Yuzhou World Trade Center (禹洲世貿國際)



Yuzhou World Trade Center is expected to be a residential and commercial complex located in Xiamen’s central train station commercial district. The location features access to business and leisure destinations. The project consists of two phases. Phase I consists of Sections A and D, two high-rise towers, and Phase II consists of Section B, a third high-rise tower. The project includes residential units, a Wal-Mart and The Mall at Yuzhou World Trade Center. The project received the “Xiamen Most Valuable Complex” (廈門最具配套價值樓盤) award in 2009 from the Quanzhou Evening News newspaper (泉州晚報社).

The Mall at Yuzhou World Trade Center is a commercial complex located within Yuzhou World Trade Center. The Mall at Phase I of Yuzhou World Trade Center contains shopping, dining, and entertaining venues and has become one of the most popular destinations for consumers in

BUSINESS

Xiamen. The Mall at Phase II of Yuzhou World Trade Center has added more attractions and facilities, making it the top destination for consumers in Xiamen. More than 20 million consumers visit the The Mall at Yuzhou World Trade Center every year.

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB258.4 million. The entire project is expected to occupy a site area of approximately 19,454 sq.m. with a planned aggregate GFA of approximately 204,477 sq.m. The project is expected to comprise approximately 1,465 residential units with a total saleable GFA of approximately 100,002 sq.m., 287 retail shop units with a total saleable GFA of approximately 65,601 sq.m. and 332 car park spaces with a GFA of approximately 17,769 sq.m.

Construction of Phase I of Yuzhou World Trade Center commenced in May 2001 and was completed in December 2008. Construction of the Mall at Phase II of Yuzhou World Trade Center was completed in January 2009. Construction of Phase II of Yuzhou World Trade Center commenced in July 2006 and is expected to be completed in December 2009. The project is being developed by Guifeng Co., one of our wholly-owned subsidiaries, which we acquired in February 2007. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits. We have also received pre-sale permits for this project. We plan to hold a total saleable GFA of approximately 49,838 sq.m. for investment purposes.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	May 2001 to December 2008
Pre-sale commencement date	June 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	225
Total completed GFA (sq.m.)	136,312

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	58,084	49,096	12,012
Total saleable GFA sold (sq.m.)	50,802	15,764	445
Percentage of saleable GFA sold (%)	87	32	4
Total number of units	961	202	238

Phase II

Planned construction period	July 2006 to December 2009
Pre-sale commencement date	May 2008
Development costs incurred as of December 31, 2008 (RMB in millions)	214
Estimated further development costs to complete the project (RMB in millions)	11
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	68,164

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	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	41,918	16,505	5,757
Total saleable GFA sold and pre-sold (sq.m.)	26,701	0	0
Percentage of saleable GFA sold and pre-sold (%)	64	0	0
Planned total number of units	504	85	94

Yuzhou Jinqiao International (禹洲金橋國際)



Yuzhou Jinqiao International is expected to be a commercial complex located in the Pudong district of Shanghai. Located at the intersection of New Jinqiao Road (新金橋路) and Jingang Road (金港路), the project is adjacent to the Jinqiao Commercial District. The design for certain units in Yuzhou Jinqiao International features raised ceilings of 5.3 meters, providing the option to our customers of constructing a mezzanine level which can increase the usage area by a factor of at least 90%. This project is a collaboration with Singaporean architecture firm CPG Corp. and First Pacific Davies Company Limited. The project received the “2009 Central Shanghai Most Valuable Investment Complex” (2009 上海中環最具投資價值樓盤) award from NetEase.com Real Estate (網易房產頻道), an Independent Third Party website.

We acquired the land for Phase I of the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB79 million. We acquired the land for Phase II of the project through the acquisition of a third-party company. The consideration for the acquisition of the company was RMB30 million. We acquired the land for Phase III of the project through the acquisition of a third-party company. The consideration for the acquisition of the company was RMB137.3 million. We acquired the land for Phase IV of the project through a court-organized auction at a consideration of RMB43.5 million. The project is expected to

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occupy a site area of approximately 49,738 sq.m. with a planned aggregate GFA of approximately 234,513 sq.m. The project is expected to comprise approximately 2,837 office units with a total saleable GFA of approximately 175,857 sq.m., 160 retail shop units with a total saleable GFA of approximately 15,765 sq.m. and 915 car park spaces with a GFA of approximately 39,544 sq.m. We plan to hold a total saleable GFA of approximately 15,765 sq.m. for investment purposes.

The project is divided into four phases. Phase I, namely Shanghai Yuzhou International Tower (上海禹洲國際大廈), is being developed by Yuejiang Co., one of our subsidiaries. Phase II, namely Shanghai Yuzhou Jinqiao International Tower (上海禹洲金橋國際大廈), is being developed by Kangtai Co., one of our subsidiaries. Phase III, namely Shanghai Yanhai Tower (上海燕海大廈), is being developed by Shanghai Yanhai Co., one of our subsidiaries. Phase IV, namely Shanghai Liyade Tower (上海利雅得大廈), will be developed by Liyade Co., one of our subsidiaries. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificates for all four phases and the required construction works commencement permits and pre-sale permits for the first three phases.

We have not commenced the construction of Phase IV of Yuzhou Jinqiao International due to uncertainty over the land’s designated land use purpose. We acquired the land for Phase IV of Yuzhou Jinqiao International through a court-organized auction. The land for Phase IV of Yuzhou Jinqiao International consists of two plots, Plot A and Plot B, with GFA of approximately 18,666 sq.m. and 51,137 sq.m., respectively. At the time of purchase, the land use purpose of Plot A was research use, which is designated for research uses by companies and institutions, and the land use purpose of Plot B was office use, which is designated for general office uses. The local government, at the time of our purchase of the land, intended to change, within the district in which the land for Phase IV of Yuzhou Jinqiao International is located, all plots designated for research use from research use to office and commercial uses. We subsequently applied to change the land use purpose for Plot A of Phase IV of Yuzhou Jinqiao International from research use to office and commercial uses to be in compliance with the local government’s intended change of land use purposes. However, in August 2009, the local government informed us that it decided not to make the proposed change and the land use purpose of Plot A of Phase IV of Yuzhou Jinqiao International remains as for research use. Shortly thereafter, we submitted the application for the construction land planning permit for Phase IV of Yuzhou Jinqiao International on September 15, 2009 and will apply for and obtain other permits required for the commencement of construction of such project in accordance with normal procedures. We expect to obtain all required permits, including the work commencement permit, and commence construction prior to the end of 2009. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be required to forfeit land to PRC Government if we fail to comply with the terms of our land grant contracts” for more details.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I - Shanghai Yuzhou International Tower (上海禹洲國際大廈)

Construction period	March 2006 to April 2008
Pre-sale commencement date	January 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	198
Total completed GFA (sq.m.)	34,434

	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	23,995	3,829	6,087
Total saleable GFA sold (sq.m.)	23,322	0	0
Percentage of saleable GFA sold (%)	97	0	0
Total number of units	494	51	135
Average selling price per sq.m. (RMB)	13,937	—	—

Phase II - Shanghai Yuzhou Jinqiao International Tower (上海禹洲金橋國際大廈)

Construction period	August 2006 to May 2009
Pre-sale commencement date	September 2007
Development costs incurred as of December 31, 2008 (RMB in millions)	161
Total completed GFA (sq.m.)	57,329

	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	45,892	3,661	7,075
Total saleable GFA sold (sq.m.)	42,803	0	0
Percentage of saleable GFA sold (%)	93	0	0
Total number of units	847	24	130
Average selling price per sq.m. (RMB)	17,045	—	—

Phase III - Shanghai Yanhai Tower (上海燕海大廈)

Planned construction period	June 2007 to June 2010
Pre-sale commencement date	December 2008
Development costs incurred as of December 31, 2008 (RMB in millions)	96
Estimated further development costs to complete the project (RMB in millions)	153
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	72,947

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	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	59,929	4,475	6,758
Total saleable GFA sold (sq.m.)	30,485	0	0
Percentage of saleable GFA sold (%)	51	0	0
Planned total number of units	1,085	46	234

Phase IV - Shanghai Liyade Tower (上海利雅得大厦)

Planned construction period	December 2009 to October 2012
Estimated pre-sale commencement date	2nd Quarter 2010
Development costs incurred as of December 31, 2008 (RMB in millions)	14
Estimated further development costs to complete the project (RMB in millions)	146
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	69,803

	<u>Office Space</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	46,041	3,800	19,624
Total saleable GFA sold (sq.m.)	0	0	0
Percentage of saleable GFA sold (%)	0	0	0
Planned total number of units	411	39	416

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Oriental Venice (東方威尼斯)



Oriental Venice is expected to be a residential community located in the city of Fuzhou (福州) in Fujian Province. The project is surrounded on three sides by Wulong River (烏龍江) and is adjacent to orange groves. The project is situated along the northern coast of Wulong River and has 1,750 meters of coastline. The project also overlooks Five Tiger Mountain (五虎山) on the other side of the river. The project has gathered numerous awards and accolades since the beginning of its development in 2004 including the “2004 Top Ten Unique Villas Gold Award” (2004中國十大特色別墅金獎) from China Villa Index System (中國別墅指數系統)⁽¹⁾, Villa Magazine (別墅雜誌)⁽²⁾ and China Real Estate Top 10 Research Team (中國房地產TOP 10研究組), the “2005 30 Impact Complexes in China” (2005影響中國的三十大典範社區) from China Media Real Estate Alliance (中國主流媒體房地產宣傳聯盟)⁽³⁾, “2006 China’s Most Valuable Investment Villa Award” (2006中國最具投資價值極品別墅獎) from Renmin Daily (人民日報社), the “China International Garden Community Award” (中國國際花園社區獎) and The International Awards for Liveable Communities (全球最適宜人類居住城市(社區)國際大獎) in 2005 and the “China’s Most Scenic Villa” (全國最佳景觀別墅) in 2007 from China Architectural Culture Center (中國建築文化中心)⁽⁴⁾. In addition to boasting the longest coastline in southeast China, the project provides private boats with access to the Wulong River through two separate entrances reserved for the exclusive use of residents of Oriental Venice.

- (1) The China Villa Index System is a component of the China Real Property Index System (中國房地產指數系統) and serves to evaluate the villa market in China. The China Real Property Index System was originally established by the China Real Property Association (中國房地產業協會), the Information Center of Development Research Center under the State Council (國務院發展研究中心信息中心) and the China Real Property Development Group (中國房地產開發集團). It is currently operated by China Index Institute (中國指數研究院) and is an Independent Third Party.
- (2) Villa Magazine is a PRC lifestyle magazine focusing on high-end living. It highlights issues on high-end lifestyle living in China, recommends high quality villas and provides guidance on property acquisition and lifestyle for its readers. It is an Independent Third Party.
- (3) The China Media Real Estate Alliance was formed by 35 leading media entities in the PRC, the Alliance intends to improve and strengthen the communications and cooperation between media entities and real property businesses, coordinate advertising activities of its members in connection real property market, and serve as a guiding force for the media and the public. It is an Independent Third Party.
- (4) China Architectural Culture Center is a research institution affiliated with the PRC Ministry of Construction. Since its formation in 1997, it has provided multiple services for international communications, conference and forums activities, trainings, consultations and exhibitions. It is an Independent Third Party.

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We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for acquisition of the 80% equity interest of our Company was RMB409.4 million. The project is expected to occupy a site area of 706,397 sq.m. with a planned aggregate GFA of approximately 365,512 sq.m. The project is expected to comprise residential units with a total saleable GFA of approximately 320,627 sq.m., retail shop units with a total saleable GFA of approximately 8,233 sq.m. and car park spaces with a GFA of approximately 18,495 sq.m.

The project is divided into three phases and being developed by Dashijie Co., one of our subsidiaries. We hold an 80% interest in the project. For this project, we have been granted the land use rights certificate to the project and the required construction works commencement permits for the first two phases. We have also received a pre-sale permit with respect to part of the project. We plan to retain a total saleable GFA of approximately 15,733 sq.m. for investment purposes.

We have not commenced construction of Phase III of Oriental Venice due to uncertainty over the plot ratio of the land. We acquired the land for Phase III of Oriental Venice through the acquisition of a then Independent Third Party company, the land premium of which was RMB222 million. The construction commencement due date stated in the land grant contract is October 15, 2008. The plot ratio stated in the land grant contract designates the land to be used for low density residences. In May 2008, we applied to change the plot ratio of the land to build high density residences. In April 2009, the local government passed a resolution to maintain the original plot ratio for the land. Subsequently, we engaged a third party design firm in August 2009 to revise the project design for such project in accordance with the original plot ratio and expect to submit in October 2009 the project design documents to the government for approval as required for the construction works planning permit. The construction land planning permit for Phase III of Oriental Venice was obtained by Dashijie Co. in 2005 prior to our acquisition of Yingfeng Co., the parent company of Dashijie Co., in 2007. We will apply for and obtain other permits required for the commencement of construction of such project in accordance with normal procedures, and expect to obtain all the required permits, including the work commencement permit, and commence the construction of Phase III of Oriental Venice prior to the end of 2010. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be required to forfeit land to PRC Government if we fail to comply with the terms of our land grant contracts” for more details.

We acquired Yingfeng Co., which possessed the land use rights to the land for Oriental Venice, in March 2007. At the time of acquisition, Yingfeng Co. had completed certain units in Phase I of Oriental Venice and had commenced pre-sale of these units in 2004. All of the units completed by Yingfeng Co. had been delivered by the time of our acquisition in 2007 and the sales derived from such units were recognized by Yingfeng Co. Construction of the remaining units of Phase I of Oriental Venice has recently been completed and we do not expect to incur further estimated development cost. We are in the process of applying for the completed construction works certified report for such units and expect to receive the report before March 2010.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Planned construction period	September 2004 to March 2010
Pre-sale commencement date	2004
Development costs incurred as of December 31, 2008 (RMB in millions)	34
Estimated further development costs to complete the project (RMB in millions)	0
Total complete GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	77,175

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	56,721	1,622	0
Total saleable GFA under development (sq.m.)	13,416	0	1,893
Total saleable GFA sold (sq.m.)	56,467	0	0
Percentage of saleable GFA sold and pre-sold (%)	81	0	0
Planned total number of units	247	9	50

Phase II

Planned construction period	March 2007 to December 2009
Pre-sale commencement date	September 2008
Development costs incurred as of December 31, 2008 (RMB in millions)	128
Estimated further development costs to complete the project (RMB in millions)	74
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	67,779

	<u>Residential</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0
Total saleable GFA under development (sq.m.)	57,439	3,461
Total saleable GFA sold and pre-sold (sq.m.)	4,890	46
Percentage of saleable GFA sold and pre-sold (%)	9	1
Planned total number of units	219	95

Phase III

Planned construction period	December 2010 to May 2013
Estimated pre-sale commencement date	October 2010
Development costs incurred as of December 31, 2008 (RMB in millions)	2
Estimated further development costs to complete the project (RMB in millions)	820
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	220,558

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	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	193,306	6,611	13,141
Total saleable GFA sold and pre-sold (sq.m.)	0	0	0
Percentage of saleable GFA sold and pre-sold (%)	0	0	0
Planned total number of units	TBD	TBD	TBD

Yuzhou Gu Shan No. One (禹洲鼓山一號)



Yuzhou Gu Shan No. One is expected to be a residential complex consisting of garden villas and duplexes. The project, nestled in the hills adjacent to the Gu Shan National Park (國家級風景區鼓山), is located in the eastern part of the city of Fuzhou, close to the Fuma Freeway (福馬快速路) and the east third ring of Fuzhou (福州東三環). Each unit includes private garden, car park garage, equipment room and balcony. Gym, community center, outdoor swimming pool and tennis courts are provided for the community. Our Yuzhou Gu Shan No. One project was named one of the “2008 China Real Estate Index System Top Ten Recommended High-End Villas” (2008中國房地產指數系統測評推薦的十大高端別墅) by China Real Estate Index System of China Index Academy⁽¹⁾ (中國指數研究院中國房地產指數系統) and Real Estate and Market Research Committee of China Real Estate Association (中國房地產協會產業與市場研究專業委員會)⁽²⁾.

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB115 million. The project occupies a total site area of approximately 234,160 sq.m., with an aggregate GFA of 87,576 sq.m. The project is being developed by Fujian Yanhai Co., one of our subsidiaries. We hold a 60% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits.

(1) China Real Property Index System was established in 1994 with coverage of 17 cities throughout China.

(2) China Real Estate Association is an incorporated society registered with the PRC Ministry of Civil Affairs and conducts its activities under the administration of the PRC Ministry of Construction. The Association is a non-profit organization with voluntary memberships including the enterprises and institutions specializing in the development, operation, trading and brokerage of real estate businesses, decorations, and property management, local real estate associations and individuals in the real estate sector.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period	September 2006 to December 2010
Estimated pre-sale commencement date	December 2009
Development costs incurred as of December 31, 2008 (RMB in millions)	244
Estimated further development costs to complete the project (RMB in millions)	51
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	87,576

	<u>Residential</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0
Total saleable GFA under development (sq.m.)	63,399	19,826
Total saleable GFA sold and pre-sold (sq.m.)	0	0
Percentage of saleable GFA sold and pre-sold (%)	0	0
Planned total number of units	183	398

Yuzhou International Hotel (禹洲國際大酒店)

Yuzhou International Hotel is expected to be a high-end, mixed-use project located in Wuyuan Bay (五緣灣), Xiamen’s Central Business District (CBD). The hotel faces Haibang Lake (海傍湖), next to one of Xiamen’s newest tourist attraction, Island Ring Road (環島路). The project is close to Gaoqi International Airport (高崎國際機場), Xiamen International Convention and Exhibition Center, Xiamen Train Station and the city center, Xiamen Port and Xiamen University. The entire project will comprise the five-star standard Yuzhou International Hotel, a shopping center and villas. The hotel is expected to have more than 400 guest rooms and suites, with most of the rooms enjoying ocean views. The hotel will also have a banquet hall, conference rooms, restaurants, business center, gym, swimming pool and bar.

We acquired the land for the project through a government-organized listing-for-sale for a consideration of RMB120.0 million. The project occupies a total site area of approximately 60,018 sq.m., with an aggregate GFA of approximately 125,221 sq.m. The project is developed by Xiamen Yuzhou Hotel Co., our wholly-owned subsidiary. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate and the required construction works commencement permits for basement construction work. We intend to hold the hotel, which is expected to commence operation in December 2012, for long-term investment.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period	October 2007 to September 2012
Development costs incurred as of December 31, 2008 (RMB in millions)	23
Estimated further development costs to complete the project (RMB in millions)	641
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	125,221

	<u>Total Saleable GFA</u> (sq.m.)	<u>Total Planned units</u>
Hotel/villas	60,018	678
Retail shop units	42,124	TBD
Total	<u>102,142</u>	<u>TBD</u>

Yuzhou Gangyi Square (禹洲港誼廣場)

Yuzhou Gangyi Square is expected to be an office building located on South Hubin Road (湖濱南路) in Xiamen, on the southern edge of Yundang Lake (筭簫湖). We believe the architectural design of the 41-story tower, with its modern and streamlined design, represents the spirit of the lake environment and intend that the unique sail shape of the building be seen as a symbol of leadership.

We acquired the land for the project by signing land use rights grant agreements with the PRC Government whereby the land was transferred to us from an Independent Third Party in February 2006. The consideration for the land was RMB151.4 million. Xiamen Huicheng Construction and Development Company Limited, an independent third party, acquired the land through signing land use rights grant agreement with the PRC Government in July 2005. In February 2006, upon the approval of local PRC Government, the transferee of the land was changed to Gangyi Investment Co. The project occupies a total site area of approximately 3,333 sq.m., with an aggregate GFA of approximately 60,251 sq.m. The project is being developed by Gangyi Investment Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project. We plan to hold the project for investment purposes. For this project, we have been granted the land use rights certificate and the required construction works commencement permits.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period	September 2007 to November 2012
Development costs incurred as of December 31, 2008 (RMB in millions)	45
Estimated further development costs to complete the project (RMB in millions)	186
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	60,251

	<u>Office Space</u>	<u>Car Park Spaces</u>
Total planned GFA under development (sq.m.)	48,998	8,863
Total number of units	150	278

Yuzhou Yuanbo City (園博學府)



Yuzhou Yuanbo City is expected to be a residential complex located close to Jimei University (集美大學) on Jimei Tongji Road (集美同集路) in Xiamen. The project includes basketball and tennis courts and other community facilities. The project is also adjacent to Fujian Province’s largest indoor arena. The project received the “Xiamen Top Ten Most Anticipated Complex” (廈門十大最值得期待樓盤) award in 2008 from Xiamen Daily (廈門日報社).

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was RMB400 million and HK\$30 million. The project is expected to occupy a site area of approximately 90,750 sq.m., with a planned aggregate GFA of approximately 480,252 sq.m. The project is being developed by Jinguoji Co., one of our wholly-owned subsidiaries. We hold a 100% interest in the project. For this project, we have been granted the land use rights certificate. We have received the required construction works commencement permits for part of this project. We plan to retain a total saleable GFA of approximately 10,059 sq.m. for investment purposes.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period	October 2007 to September 2012
Pre-sale commencement date	December 2008
Development costs incurred as of December 31, 2008 (RMB in millions) ...	240
Estimated further development costs to complete the project (RMB in millions)	769
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	480,252

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	397,655	8,208	50,895
Total saleable GFA sold (sq.m.)	161,393	0	0
Percentage of saleable GFA sold (%)	41	0	0
Planned total number of units	4,329	47	1,124

Yuzhou Diyuan Manor (禹洲締元山莊)



Yuzhou Diyuan Manor is expected to be a residential complex located at the cross section of Jinshang Road (金尚路) and Jinhu Road (金湖路) in Xiamen, close to Hutoushan Forest Park (虎頭山森林公園) and Wuyuan Bay (五緣灣).

We acquired the land for the project through the acquisition of a then Independent Third Party company. The consideration for the acquisition of the company was Singapore Dollars 2.4 million. The project is expected to occupy a total site area of approximately 52,715 sq.m., with a planned aggregate GFA of approximately 193,767 sq.m. The project is being developed by Xiamen Diyuan Co., one of our subsidiaries. We held a 95% interest in the project prior to November 2008. Subsequent to the increase in registered capital in Xiamen Diyuan Co. by our Group in November 2008, our interest in the project increased to 98%. We have been granted the land use rights certificate and the required construction works commencement permits for this project. We plan to retain a total saleable GFA of approximately 15,336 sq.m. for investment purposes.

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The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Planned construction period	March 2007 to September 2011
Estimated pre-sale commencement date	June 2010
Development costs incurred (RMB in millions) as of December 31, 2008	118
Estimated further development costs to complete the project (RMB in millions)	310
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	193,767

	<u>Residential</u>	<u>Retail</u>	<u>Office Space</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0	0
Total saleable GFA under development (sq.m.)	131,528	1,661	10,917	29,661
Total saleable GFA sold (sq.m.)	0	0	0	0
Percentage of saleable GFA sold (%)	0	0	0	0
Planned total number of units	1,032	32	TBD	526

Yuzhou Huaqiao City (禹洲華僑城)



Yuzhou Huaqiao City is expected to be a residential complex located in the city of Hefei (合肥) in Xinnancheng (新南城). The project will be situated in the vicinity of numerous attractions including Swan Lake (天鵝湖), Hui Yuan (徽園), as well as restaurants, markets, hospitals, schools and business centers. The project received the “Most Valuable Investment Complex Award” (最具投資潛力樓盤獎) in 2008 from the City of Hefei Residential Construction and Real Estate Development Committee (合肥市住宅建設與房地產開發協會)⁽¹⁾, the Xin’an newspaper and the Anhui Spring Real Estate Transaction Conference Committee (安徽春季住宅交易會組委會)⁽²⁾.

We acquired the land for Phase I of the project through acquisition of a then Independent Third Party company. The consideration of the acquisition of the company was RMB28.0 million. We acquired the land for Phase II of the project to be developed by Kangli Co. through acquisition of a then Independent Third Party company and the land for Phase II of the project to be developed by

- (1) The City of Hefei Residential Construction and Real Estate Development Committee is an organization formed by independent private Hefei real estate entities. It strives to improve the quality and reputation of the Hefei real estate market through collaboration and discussion. It is an Independent Third Party.
- (2) The Anhui Spring Real Estate Transaction Conference Committee is a committee formed at the Anhui Spring Real Estate Transaction Conference, which is organized by the City of Hefei Residential Construction and Real Estate Development Committee and the Xin’an newspaper. It is an Independent Third Party.

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Hefei Yuzhou Co. through a government-organized listing-for-sale. The consideration for the acquisition of the Independent Third Party company was RMB22.4 million and the consideration for the acquisition of land through the government-organised listing-for-sale for Phase II of the project was RMB254.8 million. The project is expected to occupy a site area of approximately 446,757 sq.m. with a planned aggregate GFA of approximately 1,148,560 sq.m. The project is expected to comprise residential units with a total saleable GFA of approximately 982,680 sq.m., retail shop units with a total saleable GFA of approximately 93,900 sq.m. and car park spaces with a GFA of approximately 62,880 sq.m.

Phase I of the project is being developed by Ludong Co., one of our subsidiaries. Phase II of the project will be developed by Kangli Co. and Hefei Yuzhou Co., both of which are our subsidiaries. We hold a 100% interest in the project. We have been granted the land use rights certificate and have received the required construction works commencement permit for Phase I of this project. We plan to retain a total saleable GFA of approximately 98,700 sq.m. for investment purposes.

We have experienced delays in the construction of Phase I and II of Yuzhou Huaqiao City. According to a certificate issued by the local land acquisition and reserve center and county government, the delays were due to a delay in the finalization of the construction plan for a trans-province high-speed railway project which is expected to pass through the land for Yuzhou Huaqiao City. Please refer to the section headed “Risk Factors — Risks Relating to the PRC Real Estate Industry — We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts” in this document.

The following tables set forth certain information of the project as of August 31, 2009 except as otherwise indicated:

Phase I

Construction period	September 2008 to September 2014
Estimated pre-sale commencement date	November 2009
Development costs incurred as of December 31, 2008 (RMB in millions)	15
Estimated further development costs to complete the project (RMB in millions)	190
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	175,960

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	148,880	14,600	11,880
Total saleable GFA sold (sq.m.)	0	0	0
Percentage of saleable GFA sold (%)	0	0	0
Planned total number of units	1,460	TBD	670

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Phase II

Planned construction period	October 2009 to December 2014
Estimated pre-sale commencement date	2 nd Quarter 2010
Development costs incurred as of December 31, 2008 (RMB in millions)	0
Estimated further development costs to complete the project (RMB in millions)	1,253
Total completed GFA (sq.m.)	0
Total planned GFA under development (sq.m.)	972,600

	<u>Residential</u>	<u>Retail</u>	<u>Car Park Spaces</u>
Total completed saleable GFA (sq.m.)	0	0	0
Total saleable GFA under development (sq.m.)	833,800	79,300	51,000
Total saleable GFA sold (sq.m.)	0	0	0
Percentage of saleable GFA sold (%)	0	0	0
Planned total number of units	TBD	TBD	2,930

OUR POTENTIAL PROJECTS

F1 Plaza (F1 廣場)

In May 2009, we entered into a land grant contract to acquire the land for the project F1 Plaza through a government-organized listing-for-sale. The consideration for the land is RMB226 million. According to the land grant contract, we are required to make installment payments of RMB67.8 million, RMB67.8 million, RMB45.2 million and RMB45.2 million prior to July 15, 2009, November 15, 2009, February 15, 2010 and May 15, 2010, respectively. We have paid RMB67.8 million as of the date of this document. F1 Plaza is expected to be a residential and retail complex located close to Ruijing commercial area on West Lianqian Road (蓮前西路). The project is adjacent to the Dongfang Shanzhuang Station (東方山莊站) of Xiamen’s new Bus Transit System, or BRT (快速公交系統) and is in close proximity to the Yunding Mountain (雲頂山). It is expected to occupy a site area of approximately 15,652 sq.m., with a planned aggregate GFA of approximately 79,000 sq.m. A planned GFA of approximately 24,000 sq.m. will be used to build a BRT terminal and related facilities for the government on the land for the project F1 plaza. The project will be developed by Hai Tian Co., one of our wholly-owned subsidiaries. We will hold a 100% interest in the project.

Yuzhou Zun Hai (禹洲尊海)

In September 2009, we entered into a land grant contract to acquire a parcel of land located in Xiamen’s Haicang District (海滄區) through a government-organized listing-for-sale. The consideration for the land is RMB1,500.0 million. According to the land grant contract, we are required to make installment payments of RMB450.0 million, RMB450.0 million, RMB300.0 million and RMB300.0 million prior to November 17, 2009, March 17, 2010, September 17, 2010 and March 17, 2011, respectively. We have paid RMB164.0 million as of the date of this document. We intend to fully settle the outstanding land premium by December 2010. We expect to fund the acquisition of the land and the construction costs of Yuzhou Zun Hai with receipts from pre-sales of our properties for the six months ending December 31, 2009 and the year ending December 31, 2010. According to the land grant contract, we are required to commence construction of Yuzhou Zun Hai prior to September 2011 and complete the project prior to September 2014. The project is expected to be a residential and retail complex located on Xinggang Road (興港路), which is in close proximity to Gulangyu (鼓浪嶼). It is

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expected to occupy a site area of approximately 107,622 sq.m., with a planned aggregate GFA of approximately 301,000 sq.m. The project will be developed by Yuzhou Real Estate Investment Co., one of our wholly-owned subsidiaries. We will hold a 100% interest in the project.

Yuzhou Hai Cang (禹洲海滄)

Pursuant to a transfer agreement entered into between Orient (Xiamen) Golf Country Club Recreation Co. Ltd. and us on September 22, 2009, we agreed to acquire from Orient (Xiamen) Golf Country Club Recreation Co. Ltd. a parcel of land located in Xiamen’s Haicang District (海滄區) for a consideration of RMB134 million. The transfer agreement is subject to the approval of the shareholders of Orient (Xiamen) Golf Country Club Recreation Co. Ltd., pursuant to which, the parties agreed to enter into a definitive transfer contract to effect the transfer of the land parcel within 60 days of the date of the transfer agreement and the transfer agreement will terminate if the parties are not able to enter into a definitive transfer contract within 60 days of the date of the transfer agreement. The project is expected to be a residential complex located on Maqing Road (馬青路), adjacent to a golf course. It is expected to occupy a site area of approximately 55,986 sq.m., with a planned aggregate GFA of no less than 81,511 sq.m. After the completion of this proposal acquisition, the project will be developed by Yuzhou Real Estate Investment Co., one of our wholly-owned subsidiaries, and we will hold a 100% interest in the project.

We are currently seeking additional development opportunities in Xiamen, Shanghai, Hefei and Fuzhou and continue to assess possible development opportunities in other locations in the PRC.

PROJECT DEVELOPMENT

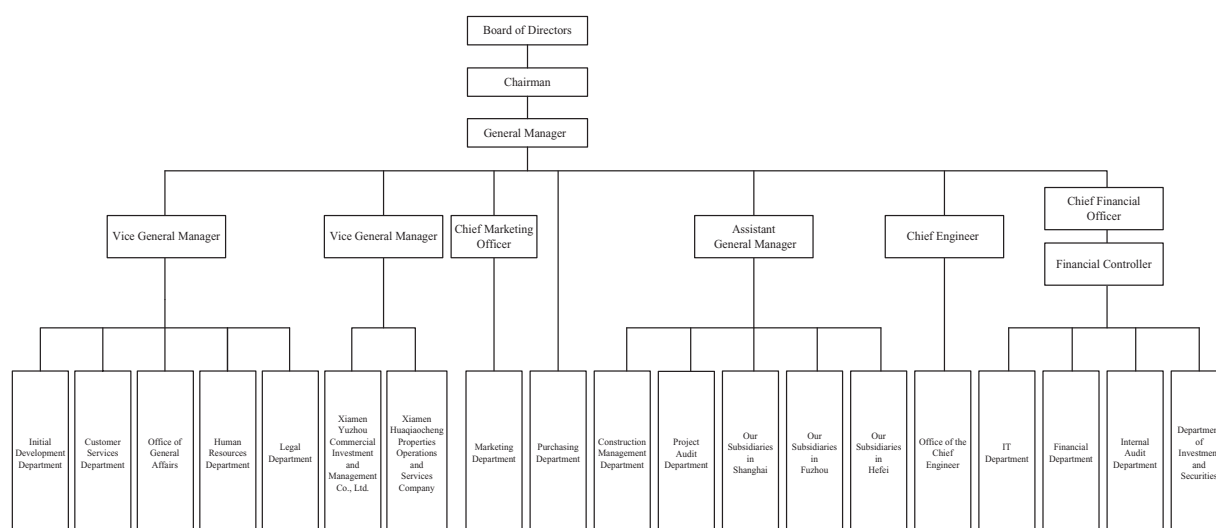
Although the nature and sequence of specific planning and execution activities will vary among projects, we have summarized below the core elements of our typical project development process for our residential and commercial properties for sale:

Land acquisition	Project planning and preliminary work	Design	Construction	Pre-sales and Sales	After Sale Services
• Site evaluation/identification • Market analysis • Feasibility Study • Land acquisition	• In-depth market analysis • Product positioning • Develop plan design • Develop the overall theme and characteristics of design	• Schematic design • Structural design • Construction design • Unit design • Drawings • Landscape design • Interior design	• Contractor selection • Procurement of supplies • Construction supervision • Completion inspection	• Pre-sale permit application • Marketing to existing and potential customers • Sales and sales management • Mortgage and registration assistance • Delivery of property	• Property management • Residential activities • Customer services • Customer feedback and response • Customer database

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Project Management

We have established specialized departments to supervise and manage the major stages of all our property developments. Our Chairman and President, Mr. Lam Lung On, and our senior management team work closely with the head of each of our departments to provide management guidance. We divide our project development process among several departments, including Department of Investments and Securities, Project Audit Department, Marketing Department, Finance Department, Construction Management Department, Initial Development Department, Office of General Affairs, Purchasing Department, Customer Services Department, Legal Department and Office of the Chief Engineer. We seek to enhance our operating efficiency, optimize our capacities and resources, enhance our negotiating power with suppliers and contractors and facilitate the sharing of resources and expertise among various projects in such areas as design, construction, marketing and sales through this management system. The chart below sets forth our management structure:



The Initial Development Department is responsible for conducting market research and analysis to track the macro- and socio-economic changes and growth patterns of cities in China in order to identify and assess target localities which we believe to have development potential. The Initial Development Department oversees the project selection process and participates in various other processes including land acquisition, pre-construction, pre-sale and sales and marketing.

Project Selection and Product Positioning

We believe site selection is fundamental to the success of a property development. Therefore, we devote significant management resources to site selection. Prior to purchasing a parcel of land, our Initial Development Department, together with other departments, will conduct market research on the potential demand for a property development on such site, determine the overall market positioning, establish a blueprint of the project design and calculate a target average selling price and gross profit margin for the project. We believe that all these pre-purchase measures help us acquire land prudently and develop our projects with clear market positioning from the beginning.

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To date, our focus has been on developments in Xiamen. We typically select sites in districts or neighborhoods that have a well-established infrastructure or that present significant opportunities for growth. We have already expanded to Shanghai, Fuzhou and Hefei. The key factors we consider in site selection include:

- government development plans for the relevant site;
- access to the site and availability of infrastructural support;
- purchaser demand for properties in the relevant area;
- existing and potential property developments in the area;
- the convenience of the site, such as proximity to the city center, airport, subway and commercial facilities;
- the surrounding environment, such as natural parks, greenery, lakes and rivers;
- the status of the land use rights with respect to the property that we may have interest to acquire in the secondary market;
- the terms of potential leases, including the potential for rent increases; and
- cost, investment and financial return, including cash flow and capital appreciation, of the potential developments.

We intend to continue to seek suitable opportunities in residential property development as they arise, and will continue to be subject to PRC laws and regulations which, among other things, restrict the land that will be made available in the future for residential property developments. Please see “Industry and Regulatory Overview — Regulatory Overview” for more details.

Land Acquisition

The PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC must be granted by the government only through public tender, auction or listing-for-sale. Prior to the effective date of these rules, we obtained most of our land use rights through transfer arrangements with local governments or original grantees of land use rights. We also obtained some of our land use rights by way of tender, auction or listing-for-sale.

When land use rights are granted by way of a tender, an evaluation committee consisting of an odd number of at least five members (including a representative of the grantor and other experts), evaluates and selects the tenders that have been submitted. When deciding to whom to grant land use rights, the relevant authorities consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. When land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to

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the highest bidder. When land use rights are granted by way of listing-for-sale, the relevant local land bureau will announce the conditions for granting the land use rights at designated land transaction centers and the bids are submitted accordingly by the bidders. The land use rights are granted to the bidder submitting the highest bid by the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding shall take place and the land use rights are granted to the highest bidder.

Under current regulations, original grantees of land use rights are typically allowed to sell, assign or transfer the land use rights granted to them in secondary markets, provided that (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development have been made or carried in accordance with terms of the land grant contract; (iii) more than 25% of the total amount of investment or development have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

In both government bids and purchases in the secondary market, the purchase price typically includes all expenses required to deliver land use rights, such as resettlement expenses.

During the three years ended December 31, 2008 and the six months ended June 30, 2009, we typically used three methods of land acquisition: (i) acquiring land use rights by signing land use rights grant agreements with the PRC Government; (ii) acquiring target companies which have acquired land use rights themselves; and (iii) acquiring land use rights through government-organized tender, auction and listing-for-sale.

Certificates, permits and licenses

We are required to apply for various permits and licenses in order to commence construction and sale of our properties. If the land use right is acquired by way of grant, the land use rights grant contract will be a pre-condition to applications for the following certificates, permits and licenses:

- **land use rights certificate** (國有土地使用證). A certification of the right of a party to use a parcel of land;
- **construction land planning permit** (建設用地規劃許可證). A permit authorizing a developer to begin the surveying, planning and design of a parcel of land;
- **construction works planning permit** (建設工程規劃許可證). A certificate indicating government approval for a developer’s overall planning and design of the project and allowing a developer to apply for a work commencement permit;
- **work commencement permit** (建築工程施工許可證). A permit required for commencement of construction; and
- **pre-sale permit** (商品房預售許可證). A permit authorizing a developer to start the pre-sale of property under development.

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A property developer is allowed to commence construction on a property development upon obtaining the permit for commencement of construction work, which will only be issued after each of the land use rights certificate, the construction land planning permit and the construction work planning permit is obtained. As of the Latest Practicable Date, we had obtained all the required land use rights certificates for our properties under development and completed properties. We have not received the required permits for commencement of construction work for Phase II of Yuzhou Huaqiao City, Phase IV of Yuzhou Jinqiao International and Phase III of Oriental Venice. Please see “Risk Factors — Risks relating to our business — We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts” for details.

Financing of Projects

We primarily finance our property developments using contributions from shareholders, borrowings from banks and our internal funds and proceeds from the sale and presale of our properties. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

According to the relevant guidelines issued by the CBRC, banks may not provide any lending to any real estate project for which the land use certificate, construction land planning permit, construction works planning permit and work commencement permit have not yet been obtained. Under the Notice on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》) jointly issued by the MOHURD and other PRC Government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds available by the total project capital required for a project. We typically use internal funds and project loans from PRC banks to finance the construction costs for our property developments. Additional cash is generated from pre-sales of properties when these properties meet the requirements of pre-sale under the relevant national and local regulations. Such proceeds from pre-sales, together with shareholder contributions and the project loans, are the major sources of funds for the construction of our projects.

Project Design

With a view to achieving distinctive designs and operating efficiency, we typically outsource our design work to outside design experts. Our Office of the Chief Engineer is responsible for selecting third-party design firms by taking into consideration their reputation, proposed designs and their past relationship with us. Our Office of the Chief Engineer consists of engineers who supervise our architectural design, landscape design, mechanical engineering and structural engineering. It coordinates and works closely with the selected design firms in major aspects of the design process, from master planning, design specifications and adjustments, to raw material selection. Our Office of the Chief Engineer also monitors the work progress of the selected design firms to ensure that their project designs meet our design specifications and are completed on time. In recent years we have retained leading domestic and international design firms to help design our projects in various aspects, including master planning, architectural design, landscape design and interior design.

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We seek to distinguish our property developments by offering distinctive design features and adding additional functions to our property developments. For example, in our Yuzhou Golden Seacoast and Shuilian Manor projects, our innovative layout design increases the usage area by a factor of approximately 30%-40%. Our design for certain units in our Yuzhou Jinqiao International Project increases the usage area by a factor of at least 90%. The Yuzhou Golden Seacoast project was recognized as the “2007 Minnan Ten Best Units — Best Innovative Comfort Unit” (2007閩南十佳人居戶型——最具創意舒適戶型獎) by the Haixia newspaper (海峽導報). Our design for the Galaxy Garden project was recognized as the “2007 Minnan Ten Best Units — Best Classic Comfort Unit” (2007閩南十佳人居戶型——最經典舒適戶型) by the Haixia newspaper (海峽導報).

Construction Work

We outsource our project construction work entirely to Independent Third Parties. A tender process is usually required to select contractors for construction projects pursuant to national and local regulations. Without any long-term construction outsourcing contracts in place, our Construction Management Department organises a tender process to work with a number of qualified contractors to create a competitive environment. We consider their track record performance, work quality, proposed delivery schedules and costs in our selection process and seek to maintain our construction costs at a reasonable level without sacrificing quality. We conduct a detailed investigation into the experience and credentials of the contractors during the bidding process before offering construction contracts to them. As of August 31, 2009, we engaged 15 construction contractors, all Independent Third Parties, on an individual project basis for the construction of our property developments. Our PRC legal advisor is of the view that we have engaged the construction contractors in a manner in compliance with the relevant PRC tender laws and regulations during the three years ended December 31, 2008 and the six months ended June 30, 2009. These contractors typically have had relationships of one to 11 years with our Group.

Payments to contractors are determined by taking into consideration the labour and material costs, fitting requirements and construction progress and are adjustable under the construction contracts. 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. Our Construction Management Department, Project Audit Department and Office of the Chief Engineer monitor quality and cost control and construction progress closely during construction. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. In an effort to ensure the quality of the services rendered by the contractors, our construction contracts typically provide for payments based on construction progress until a specified maximum percentage of the total contract sum is paid. Except for approximately 3% of the contract sum which we generally retain for two years from completion to cover any potential expenses incurred as a result of any construction defects, the remaining balance is payable upon the issue of a certificate approving construction quality. Upon the expiry of the two-year retention period, the balance of the retained amount is paid to the contractor. We have not experienced any circumstances where the retention amount was less than the amount we needed to pay to rectify construction defects during the three years ended December 31, 2008 and the six months ended June 30, 2009. The retention money is accounted for as a trade payable in the Accountants’ Report in Appendix I to this

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document. We did not have any disputes with any of our contractors during the three years ended December 31, 2008 and the six months ended June 30, 2009 which had or would be expected to have a material adverse effect on our business, financial condition and results of operations. Please see “Risk Factors — We rely on independent contractors to provide property development products and services” for more details.

Under PRC laws and regulations, construction companies bear the primary civil liability for personal injuries, accidents and deaths arising out of the construction if such personal injuries, accidents and death are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property under construction may also bear civil liability for personal injuries, accidents and death if such injuries are the fault of such owner. To help ensure construction safety on our Group’s project sites and compliance with relevant PRC laws and regulations, including environmental, social and safety regulations, we have provided a set of standards and specifications in our construction contracts for construction workers to comply with during the construction process. We had not experienced any destruction of or damage to our property developments, no personal injury-related claims have been brought against us and no material personal injury incident has occurred on our project sites during the three years ended December 31, 2008 and the six months ended June 30, 2009. We are not responsible for the labor problems of our contractors.

In the past, most of our projects have not included fittings and interior decorations so as to provide our customers with full flexibilities to renovate the properties based on their own preferences and needs. However, in response to market trends, we intend, through our subsidiary Gangli Decoration Co., to begin offering customized fitting and interior decoration services for certain of our projects going forward, with a view to creating further values for our properties. In such capacity, Gangli Decoration Co. may enter into arrangements and transactions with our project companies, which are related companies. Under PRC laws and regulations, arrangements and transactions among related parties are required to be filed with, and may be audited or challenged, by PRC tax authorities.

In 2006, 2007, 2008 and the six months ended June 30, 2009, payments to our construction contractors amounted to RMB625.1 million, RMB1,276.8 million, RMB941.2 million and RMB390.8 million, respectively. Payments to our single largest construction contractor accounted for approximately 32.4%, 13.7%, 25.2% and 36.6%, respectively, of our total payments under our construction contracts for 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. Payments to our five largest construction contractors as a percentage of our total payments under construction contracts in each of 2006, 2007, 2008 and the six months ended June 30, 2009 were 50.8%, 41.8%, 62.6% and 61.3%, respectively. None of our Directors, their associates nor any shareholder holding more than 5% of our issued share capital has any interest in our five largest construction contractors.

Quality Control and Construction Supervision

We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of high quality. These procedures are strictly followed by our functional

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departments, project companies and by our construction supervisors. As part of our quality control procedures, it is our policy to only contract with reputable design and construction companies.

We typically designate for purchase certain fixture materials such as doors, windows, sanitary fittings and kitchen cabinets, which are required to satisfy national standards or be from certain name brands. The general contractors procure more basic building materials, such as cement and steel. The general contractors procure most of the equipment necessary for each project in accordance with our specifications. We do not own any construction equipment and do not maintain any inventory of building materials. To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers.

To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, comprised of qualified engineers led by our project controller. As of August 31, 2009, we had 32 qualified engineers employed by us. Our project management teams provide on-site supervision of the project. In addition, we have a quality control department which inspects the quality of the construction work on a selective basis. We also engage independent quality supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site.

Our Construction Management Department is responsible for the supervision of the construction of our properties and ensuring that our properties meet a specified standard upon completion. In addition, prior to handing over a property to our customers, our engineers, customer service department and the relevant property management company will inspect the property.

Pre-sale

We typically conduct pre-sales of our property units prior to the completion of a project or a project phase, subject to laws and regulations governing pre-sales of properties. According to the Urban Real Property 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》), the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land premium must be paid in full and the land use rights certificates must have been obtained;
- the construction works planning permit and the work commencement permit must have been obtained;
- the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and
- the pre-sale permit must have been obtained.

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According to the Regulations on Administration of Commodity Property Pre-sale of Xiamen (《廈門市商品房預售管理規定》), we are required to meet the following conditions, in addition to the first three conditions mentioned above, before obtaining a pre-sale permit for our projects in Xiamen:

- for commodity property consisting of three storeys or less, the basic foundation work and the structural construction of the building must have been completed;
- for commodity property consisting of four storeys or more with a basement, the basic foundation work and at least the first floor of the structural construction must have been completed; and
- for commodity property consisting of four storeys or more without a basement, the basic foundation work and at least four storeys must have been completed.

Please see “Regulatory Overview — The Land System of the PRC — Pre-sales and Sale” in Appendix IV to this document for more details.

Sales and Marketing

We have a dedicated sales and marketing team of over 18 employees responsible for determining the appropriate advertising and sales plans for our property developments. In addition, we contract with third-party sales and marketing companies who are responsible for conducting detailed analyses of market conditions, preparing promotional materials, conducting general promotional campaigns, recommending unit prices and pricing-related policies for our projects and coordinating and monitoring our relationship with the media. Our property sales planning is typically divided into three stages, as set out below:

- Planning stage — During the construction of our properties, we will select and educate a third-party sales and marketing company. At this stage, the sales and marketing company will formulate a detailed sales plan including estimated selling prices, the selling period, number of units for sale and expense budget and refine our sales plans previously prepared at the project selection stage;
- Sales stage — Our senior management will confirm the Sales Plan and the relevant functional departments will implement the Sales Plan. We commence pre-sales after we obtain the relevant pre-sale permits; and
- Review stage — On a regular basis, we review our sales performance by comparing our actual sales results against the sales plan. Where there are significant differences, our senior management will investigate the reasons and put in place remedial plans where appropriate.

To further promote our “Yuzhou” brand, we adopt various direct measures to reach potential purchasers, including advertisements, real estate exhibitions, information sessions, multiple sales offices, property web sites, our own magazine “Yuzhou Club” (禹洲會同期聲), our Yuzhou Club membership and charity events. As of the Latest Practicable Date, our Yuzhou Club had over 7,900 members. Through the club membership and our “Yuzhou Club” magazine, we maintain close contact

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with our customers and motivate them to introduce our brand to other potential customers. With the intent of enriching the cultural experience of our communities, we provide cultural competitions, community activities, concerts, holiday events and games. We also collaborate with several name brand companies to provide services including architectural design, interior design and landscape design. Some of our collaborators include Peddle Thorp Melbourne Architects, United States design company Dawson Design Associates, Inc. and Hong Kong design company Shui Mu Qing Hua. We also collaborate with the Industrial and Commercial Bank of China in the issuance of our own “Yuzhou” brand credit card from which we did not derive any income. We entered into an agreement with the Industrial and Commercial Bank of China, which is renewable automatically after five years, solely for marketing purposes. Industrial and Commercial bank of China agreed to pay for the cost of manufacturing the credit cards and is responsible for all actions of the cardholders. We agree to refer our employees, members of our Yuzhou Club, our tenants, and consumers at our retail properties to the Industrial and Commercial Bank of China as potential cardholders. Some of our commercial tenants include Wal-Mart, PCD Stores, KFC, McDonald’s, Nike and Adidas.

Our five largest customers accounted for 23.3%, 13.6%, 1.5% and 0.9% of our revenue in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively, and thus accounted for less than 30% of our revenue in each of these periods. All such customers were individual purchasers of our developed properties except for one commercial entity purchaser.

Payment Arrangements

Purchasers of our properties can choose between payment by installment or lump sum. Where a purchaser chooses to pay by installments, at least 20% to 50% of the purchase price is typically required to be made as a down payment when the sales contract is entered into, the remaining of which will be arranged to be paid by a mortgage loan. In line with industry practice, we do not conduct independent credit checks on purchasers of our properties but rely on the credit checks conducted by the mortgagee banks. The mortgage bank would have conducted preliminary credit checks on a purchaser of our property when we enter into the sales and purchase agreement with such purchaser, and typically enters into a mortgage agreement with such purchaser within three months after the execution of the sales and purchase agreement. As a result, we had not experienced any forfeitures during the three years ended December 31, 2008 and the six months ended June 30, 2009.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans offered to purchasers of our properties. 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 purchasers of our projects. During the three years ended December 31, 2008 and the six months ended June 30, 2009, there had been six lawsuits brought by mortgage banks against purchasers who defaulted on their mortgages and our Group as the guarantor of such mortgages, all but three of which were resolved as of the Latest Practicable Date. These defaults have not had, or are not expected to have, a material adverse effect on our financial condition or results of operations. We did not experience any new lawsuits resulting from defaults on residential mortgages guaranteed by us during the period between July 1, 2009 and the Latest Practicable Date. Please see “Risk Factors — Risk Relating to Our Businesses — We provide guarantees over mortgage loans given by banks to purchasers of our properties which may negatively impact our profitability if we are required to honor the guarantees” for more details.

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Delivery of Properties

Once a property development has passed the requisite government inspections and received the Completed Construction Works Certified Report and is ready for delivery, we notify our customers and hand over keys and possession of the properties. Delivery of a property generally takes place within three months (depending on the type of the property) after the completion of the property. Our pre-sale or sale contracts provide the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery. Please see “Risk Factors — Risks Relating to Our Business — we may not be able to complete our development projects on time or at all” for more details.

Property Management

We typically engage our own property management company, Huaqiaocheng Properties Co., to manage the residential properties we developed. Other than Yuzhou Garden and Phase I of Yuzhou Jinqiao International, all of our projects are currently managed by Huaqiaocheng Properties Co. Huaqiaocheng Properties Co. typically enters 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. According to the Regulation on Property Management (《物業管理條例》), we are not allowed to assign the full management responsibilities to a third party. Huaqiaocheng Properties Co. is 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. Under PRC laws and regulations, the owners or owners’ association of a residential community have the right to change property management companies pursuant to certain procedures. Please see “Risk Factors — Risks Relating to Our Business — Property owners may terminate our engagement as the provider of property management services” for more details.

HOTELS

We are currently developing Yuzhou International Hotel and intend to enter into management agreement with Carlson Asia Pacific Hotel Management Pty. Limited, or Carlson, to operate the hotel under the “Radisson” brand. We intend to hold this hotel for investment purposes.

Carlson is a hotel management company in the Asia Pacific region with more than 100 hotels in operation and under development with close to 20,000 rooms in 11 countries. Headquartered in Singapore, it is supported by reservations, sales and development offices in Tokyo, Shanghai, New Delhi and Sydney. It is part of Carlson Companies, a privately held corporation headquartered in the United States, which was founded in 1938 with operations spanning over 150 countries worldwide. Carlson operates five of the world’s leading hotel brands throughout the Asia Pacific region: Regent Hotels & Resorts, Radisson Hotels & Resorts, Park Plaza Hotels & Resorts, Country Inns & Suites By Carlson and Park Inn. The Regent Beijing and the Radisson Hotel Pudong Century Park, Shanghai were voted by Travel + Leisure magazine, an Independent Third party travel magazine, as one of the top 100 hotels in China in 2008. We believe that by having Carlson operate our hotel, we will be able to benefit from their global reputation, hotel operation experience as well as their integrated marketing

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services and global reservation systems. Pursuant to the hotel operating agreement, Carlson will be responsible for all aspects of managing the daily operation of Yuzhou International Hotel, including formulating operational and pricing plans for the hotel business. We intend to agree to pay Carlson monthly management fees from the hotel’s opening based on a percentage of the revenue of the hotel. We also intend to pay Carlson incentive fees based on a percentage of the hotel’s gross operating profits, if such profits exceed certain thresholds, so that Carlson’s interests are aligned with ours. We intend to have Carlson integrate our hotel into the advertising and promotion campaigns for their affiliated Radisson hotels and to share marketing costs. Carlson is also expected to be responsible for recruiting and training the staff of our hotel.

Once completed, we expect Yuzhou International Hotel to offer luxury hotel services to domestic and overseas travellers. We expect a recurring income stream from the operation of the hotel including income derived from room rent, food and beverage sales and other consumptions. We intend to bear all the operational costs, staff costs and management fees in relation to Yuzhou International Hotel.

We believe that expanding into the hotel sector will increase the breadth and stability of our revenue streams and reduce our risk of over-reliance on any particular property sector. For risks associated with expanding into the hotel sector, please see “Risk Factors — Risks Relating to our Business — We may not be successful in leveraging our past experience in residential property development in expanding into our new hotel and investment property businesses”, “— Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, the hotel management partner that manages our hotel” and “— Our objectives may conflict from time to time with the objectives of our hotel management partner, which may materially and adversely impact the operations and profitability of our hotel.”

INVESTMENT PROPERTIES

We develop commercial complexes, office buildings, retail shop units and car park spaces for leasing and/or for capital appreciation. We intend to focus on high-quality properties that are located in central commercial areas of major cities.

We are currently operating The Mall at Yuzhou World Trade Center. Our target tenants are mid-to high-end retail stores, restaurants and supermarkets. In connection with The Mall at Yuzhou World Trade Center, our tenants include PCD Stores, Wal-Mart, Music Kitchen Food Court, KFC, McDonald’s and other companies.

Yuzhou Commercial Investment Management Co., a wholly-owned subsidiary, is responsible for the management of The Mall at Yuzhou World Trade Center. Yuzhou Commercial Investment Management Co. provides detailed market research and establishes management plans. In addition, its management team prudently selects our tenants based on brand name and potential impact to increase marketability. Its management team is also responsible for daily operation of our investment properties, including labor, customer service and event planning issues.

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Our Group has over nine years of experience in managing retail units and car park spaces in our residential properties. We currently plan to develop commercial complexes in connection with our projects Yuzhou Golden Seacoast, Yuzhou International Hotel, Oriental Venice, Yuzhou Jinqiao International and Yuzhou Huaqiao City. We intend to use our Yuzhou World Trade Center management model in developing these retail complexes, which are expected to be managed by Yuzhou Commercial Investment Management Co.

We are currently developing Yuzhou Gangyi Square which we expect to be completed in November 2012. We intend to hold the office properties for investment purposes. We will either engage our own property management company, Yuzhou Commercial Investment Management Co., or a third-party property management company to manage the office properties. The management company will select our tenants and be responsible for daily operation of our office properties. We intend to develop other office properties in the future and intend to use our Yuzhou Gangyi Square management model to develop and manage such office properties.

We believe that expanding into the retail and office property sectors will increase the breadth and stability of our revenue streams and reduce our risk of over-reliance on any particular property sector. For risks associated with expanding into the retail and office property sectors, please see “Risk Factors — Risks Relating to Our Business — We may not be successful in leveraging our past experience in residential property development in expanding into our new hotel and investment property businesses.”

PROPERTIES USED BY US

Our principal executive offices are located at Yuzhou Overseas City, 45 West Hubin Road, Xiamen, Fujian Province, with a GFA of approximately 1,204 sq.m. We plan to relocate our principal executive offices to Yuzhou Gangyi Square upon completion of that project.

COMPETITION

The market for real estate development in China has evolved significantly over the past decade. In addition to Chinese real estate developers, a number of overseas real estate developers are active in China. In April 2004, the PRC Government announced a six month moratorium on land auctions. In June 2004, the PRC Government further issued policies to reduce the number of property projects that involve redevelopment or relocation of existing residents. These policies further increased competition among real estate developers as the amount of land available for property development was reduced. Please see “Risk Factors — Risks Relating to the PRC Real Estate Industry — We face intense competition from other real estate developers”. For details of the policies, please see “Industry and Regulatory Overview — Regulatory Overview” and “Regulatory Overview — Resettlement” in Appendix IV to this document.

Our existing and potential competitors include major domestic State-owned and private developers and foreign real estate developers (including leading developers listed in Hong Kong) who focus on high-quality property development in China. We believe that through our experience in

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developing large-scale, high-quality properties and our in-depth understanding of the Chinese real estate market, we will be able to react more quickly when competing with these property developers to identify and secure desirable opportunities.

INTELLECTUAL PROPERTY

Our intellectual property forms an integral basis for our strong brand recognition and is important to our Group’s business and profitability. As of the Latest Practicable Date, we had registered four trademarks in the PRC and had registered one trademark in Hong Kong.  is our primary trademark. As of the Latest Practicable Date, we had registered the following domain names: (1) “禹洲.com”, (2) “禹洲.中国”, (3) “禹洲集团.com” and (4) “禹洲集团.中国”.

The information on our websites does not form part of this document.

Under Hong Kong and PRC law, a registered trademark owner has exclusive rights in the registered trademark. Any unauthorized use of a registered trademark (unless such use constitutes “fair use” as defined by law), will constitute infringement of the trademark owner’s exclusive right.

INSURANCE

We contribute to social insurance for our employees as required by PRC social security regulations, such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. In line with what we believe to be industry practice, we do not maintain insurance for destruction of, or damage to, our property developments (whether they are under development or have been completed and are pending delivery) other than with respect to those buildings over which our lending banks have security interests, for which we are required to maintain insurance coverage under the relevant loan agreements. We also do not carry insurance covering construction-related personal injuries. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on our work sites. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those suffered due to earthquake, typhoon, flooding, war and civil disorder. Business interruption insurance is also currently unavailable in China.

To help ensure construction quality and safety, we provide a set of standards and specifications in the construction contracts for the construction workers to comply with during the construction process. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear the primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents and deaths are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries,

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accidents and death if such personal injuries, accidents or death are due to the fault of such owner. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and nor material personal injury incident has occurred at our project sites.

However, there are risks that we do not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. Please see “Risk Factors — Risks Relating to Our Businesses — We may suffer losses arising from uninsured risks for more details.”

ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by 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 (《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》). As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer and the construction companies must take measures to prevent air pollution, noise emissions and water and waste discharge. Environmental investigations on our projects conducted to date have not revealed any environmental liabilities that we believe would have a material adverse effect on our business, financial condition or results of operations. Please see “Risk Factors — Potential liability for environmental problems could result in substantial costs” for more details.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering 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.

According to the approvals and confirmation letters issued by the relevant environmental protection authorities, our PRC legal advisor is of the view that our Group has been in compliance with applicable PRC environmental laws and regulations in all material respects during the three years ended December 31, 2008 and the six months ended June 30, 2009. We did not experience any material environmental pollution incidents and there were no penalties imposed on us for violation of environmental laws and regulations during the same period. We obtained all environmental permits and approvals as required by relevant authorities for our property developments.

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We intend to continue to comply with PRC environmental laws and regulations and further strengthen our management and supervision systems in respect of environmental protection. A team of officers experienced in pre-construction work of property development and environment matters in our Initial Development Department and Construction Management Department manage and examine the procedures and activities that may give rise to environmental issues such as noise, water and air pollution and collaborate with third-party construction contractors in order to ensure environmental compliance.

LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings or disputes in the ordinary course of business including claims relating to our guarantees for mortgage loans provided to our purchasers and contract disputes with our purchasers and suppliers. Please see “Risk Factors — Risks Relating to Our Business — we provide guarantees over mortgage loans given by banks to purchasers of our properties which may materially and adversely affect our results of operations and financial condition if we are required to honor the guarantees.” We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. The Directors are of the view that there were no material legal proceedings or disputes which are of material importance or would adversely affect our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009. Please also see “Risk Factors — Risks Relating to Our Business — We may become involved, from time to time, in legal and other proceedings arising out of our operations and may face significant liabilities as a result” for more details.

COMPLIANCE

During the three years ended December 31, 2008 and the six months ended June 30, 2009, we and our PRC subsidiaries were in possession of all of the relevant approvals and qualification certificates required under PRC laws and regulations in order to conduct our businesses. Several of our PRC subsidiaries are in the process of renewing their respective qualification certificates.

Our PRC legal advisor has advised us that, to the best of their knowledge after due inquiries, our Group had been in compliance with the applicable PRC laws and regulations as described in the relevant sections in this document in all material respects during the three years ended December 31, 2008 and the six months ended June 30, 2009, except the following:

- Prior to our acquisition of Guifeng Co. in February 2007, Guifeng Co. experienced late delivery of individual property ownership certificates. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner” for more details.
- We failed to commence construction for more than one year from the commencement date stipulated in the land grant contract for Phases I and II of Yuzhou Huaqiao City and Phase III of Oriental Venice. In addition, we have not commenced the construction of Phase IV of Yuzhou Jinqiao International due to uncertainty over the designated land use purpose. Please see “Risk Factors — Risks Related to the PRC Real Estate Industry — We may be required to forfeit land to the PRC Government if we fail to comply with the terms of our land grant contracts” for more details.

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We have established a comprehensive internal control system and corporate governance structure. Our management team is responsible for determining internal control strategies and policies, approving internal control procedures for various business activities and assessing the overall integrity and effectiveness of our internal control system. Our Legal Department is responsible for implementing internal control strategies and policies adopted by the management team and for establishing internal control reporting structures. The management teams at our subsidiaries are responsible for implementing internal control policies and procedures in their respective scope of business, conducting internal control examinations and reporting to our management team and Legal Department. Our Initial Development Department is generally responsible for and monitors compliance with the commencement dates stipulated in our land grant contracts. In September 2008, we commenced the development of an Enterprise Resource Plan, or ERP, system which will establish Internet-based progress monitoring for our projects and will be supervised by members of our management team. The ERP system is expected to be completed in January 2010. We believe that the ERP system, upon completion, will further strengthen our internal control system and corporate governance structure.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Upon completion of the Reorganization, Mr. Lam Lung On and his spouse Ms. Kwok Ying Lan will own approximately 37.5% and 37.5%, respectively, of the issued share capital of our Company and hence Mr. Lam Lung On and Ms. Kwok Ying Lan together are our Controlling Shareholders.

Background of Mr. Lam Lung On and Ms. Kwok Ying Lan

Mr. Lam Lung On has over 15 years of experience in residential, commercial and hotel property development and investment. In 1994, Mr. Lam entered the property development business in Xiamen, PRC and laid the foundation for our Group and established the “Yuzhou” brand name. Ms. Kwok Ying Lan has over 12 years of experience in property development and investment, as well as in financial management. She joined our Group in April 1997. Please see “Directors and Senior Management” for more details.

Retained Businesses of our Controlling Shareholders

Upon the completion of the Reorganization and as of the date of this document, Mr. Lam Lung On and Ms. Kwok Ying Lan have control or interests in certain businesses outside our Group (the “Retained Businesses”). These businesses include (i) a communications business operated by Zongheng Group (the “Communications Business”); (ii) a communication training center business operated by Zongheng Co. (the “Communication Training Center Business”); and (iii) a retail property leasing business which is concerned with the leasing of retail properties in three residential developments, which are owned by Mr. Lam Lung On (one of our Controlling Shareholders) and certain of his associates, namely, Mr. Lam Wang Yu (the son of our Controlling Shareholders) and Ms. Huang Shunu (the sister-in-law of our Controlling Shareholders) (the “Retail Property Leasing Business”). Mr. Lam Lung On, Mr. Lam Wang Yu and Ms. Huang Shunu are collectively defined as the “Lam Family Group”.

Details of the Retained Businesses are summarized below:

<u>Business Type</u>	<u>Key Features</u>
Communications Business	Provision of a variety of communication services, including, but not limited to, the sale of communication products and equipment, maintenance of communication network and design of communication projects.
Communication Training Center Business	Operation of a communication training center relating to communication services.
Retail Property Leasing Business	Leasing of the Lam Family Group’s Retail Properties located on the ground floor or lower floors of three residential property developments in Xiamen, namely Yuzhou Overseas City, Yuzhou Harbour City and Yuzhou Garden.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Communications Business and the Communication Training Center Business do not compete, directly or indirectly, with our Group’s business. The Retail Property Leasing Business competes, although only to a limited extent which is not material to us, with our Group’s business as we engage in the leasing of our Group’s retail properties located at certain residential property developments in Xiamen as well as in Fuzhou, Shanghai and Hefei.

The Retained Businesses were not included in our Group as part of the Reorganization as our Directors are of the view that (i) the Communications Business and the Communication Training Center Business do not form a part of our business; and (ii) for reasons set out below, the Retail Property Leasing Business only constitutes competition which is immaterial to our Group’s business.

Delineation of our Group’s business from the Communications Business and the Communication Training Center Business

Our Directors are of the view that there is a clear delineation between each of the Communications Business and the Communication Training Center Business and our core business, which is the development of high-quality residential, retail and commercial properties, for the following reasons:

Communications Business: The Communications Business is conducted through Zongheng Group. Zongheng Group was acquired as to 99.9551% by Gangyi Communications Co. (which was then held by Ms. Ye Biyun and Mr. Lin Conghui on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan pursuant to an entrustment agreement dated September 1, 2006) and the acquisition was completed September 13, 2006. The other three shareholders were Mr. Du Rusheng, Mr. Yang Ze and Ms. Fu Miaoling, who held 0.02251%, 0.01239% and 0.01% equity interest, respectively. On January 24, 2008, Gangyi Communications Co. transferred its 99.9551% interest in Zongheng Group to Gangyi Capital Co. For details of the shareholding structure and board composition of Gangyi Capital Co., see “Definitions — Gangyi Capital Co.” On July 10, 2009, Gangyi Capital Co. acquired 0.02251% and 0.01239% equity interest from Mr. Du Rusheng and Mr. Yang Ze, respectively, thereby consolidating its interest as to 99.99% in Zongheng Group. Zongheng Group engages in various aspects of the provision of communication services which include the installation, sale and maintenance of electronic products and communication equipments, design, tender and construction of communication projects and maintenance of communication network, wholesale and retail sale of office and communication equipment, compilation and sale of telephone directories, provision of telephone directory enquiry services and provision of agency services in relation to communications business. Zongheng Group does not engage in any sale or development of residential, retail or commercial properties and our Group does not operate or otherwise engage in any aspect of the provision of communication services. As such, there is no overlap of business or competition, directly or indirectly, between Zongheng Group and us.

Communication Training Center Business: Zongheng Co. was acquired as to 100% equity interest by Gangyi Investment Co. on January 31, 2007 from Zongheng Group and Xiamen Zongheng Group Tech Co., Ltd., and was transferred to Yaozhou Management Co. on January 3, 2008. For details of the shareholding structure and board composition of each of Gangyi Investment Co. and Yaozhou Management Co., see “Definitions — Gangyi Investment Co.” and “Definitions — Yaozhou Management Co.” Zongheng Co. operates a communication training center (which was established

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

before it was acquired by Gangyi Investment Co.) for the provision of training relating to communication services. As Zongheng Co. does not engage in any sale or development of residential, retail or commercial properties and our Group does not operate or otherwise engage in any aspect of the establishment of communication training center, there is no overlap of business or competition, directly or indirectly, between Zongheng Co. and us.

The Retail Property Leasing Business and reasons for its non-inclusion in our Group

The Retail Property Leasing Business is solely concerned with the leasing of Lam Family Group’s Retail Properties owned by the Lam Family Group. Such properties are located on the ground floor or lower floors of residential properties within three property developments developed by our Group, namely Yuzhou Overseas City, Yuzhou Harbour City and Yuzhou Garden. The sale of such retail properties constituted a part of the related party sales referred to in “Connected Transactions — Connected transactions which have been or will be discontinued upon or shortly before the completion of the Reorganization — Sale of properties” and details on the background to the sale of Lam Family Group’s Retail Properties is set out below.

Our Group also engages in a similar leasing business involving retail properties located on the ground floor or lower floors of residential property developments developed by us as well as retail properties within the vicinity of commercial complexes and office premises developed by us. Our Group holds certain of these retail properties for sale and the remaining portion for investment.

As of the Latest Practicable Date, a portion of the retail properties held by the Lam Family Group and our Group respectively are located in two overlapping residential property developments, namely Yuzhou Harbour City and Yuzhou Garden (collectively, the “Overlapping Projects”).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth the location, usage, GFA in sq.m. and other information of the retail properties held by the Lam Family Group and our Group as of the Latest Practicable Date:

Project	Lam Family Group				Our Group				
	Location	Usage	Leased Out (sq.m.)	Available for Lease (sq.m.)	Total GFA (sq.m.)	Usage	Leased Out (sq.m.)	Available for Lease (sq.m.)	Total GFA (sq.m.)
Retail properties in completed projects and project phases									
Yuzhou Overseas City (Phase I)	Xiamen	Investment	7,048.2	1,059.6	8,107.8 ⁽¹⁾	—	—	—	—
Yuzhou Overseas City (Phase II)	Xiamen	Investment	6,399.7	2,192.8	8,592.5 ⁽²⁾	—	—	—	—
Yuzhou Shuilian Manor	Xiamen	—	—	—	—	Held for Sale ⁽⁶⁾	—	54.9	54.9
Yuzhou Hai Tian Plaza	Xiamen	—	—	—	—	Held for Sale ⁽⁶⁾	682.7	309.1	991.7
Yuzhou Harbour City (Phase I)	Xiamen	Investment	4,181.1	792.1	4,973.3 ⁽³⁾	—	—	—	—
Yuzhou Harbour City (Phase II)	Xiamen	—	—	—	—	Held for Sale ⁽⁶⁾	171.3	—	171.3
Yuzhou New City (Phase I)	Xiamen	—	—	—	—	Held for Sale ⁽⁶⁾	48.1	166.9	215.0
Yuzhou New City (Phase II)	Xiamen	—	—	—	—	Held for Sale ⁽⁶⁾	2,327.9	1,457.6	3,785.5
Yuzhou Garden (Phase I)	Xiamen	Investment	—	1,483.0	1,483.0 ⁽⁴⁾	Held for Sale ⁽⁶⁾	—	483.7	483.7
Yuzhou Garden (Phase II)	Xiamen	—	—	—	—	Held for Sale ⁽⁶⁾	1,699.6	22.4	1,722.0
Yuzhou World Trade Center (Phase I) ⁽⁵⁾	Xiamen	—	—	—	—	Investment	33,979.0	—	33,979.0
Yuzhou Jinqiao International (Phase I) ⁽⁵⁾	Shanghai	—	—	—	—	Investment	1,535	2,294.0	3,829.0
Yuzhou Jinqiao International (Phase II) ⁽⁵⁾	Shanghai	—	—	—	—	Investment	—	3,662.0	3,662.0
Aggregate GFA (sq.m.)			17,629.1	5,527.6	23,156.6	40,443.6			48,894.1
Retail properties in projects and project phases under development									
Oriental Venice (Phase I)	Fuzhou	—	—	—	—	Investment	—	—	2,300.1
Yuzhou Yuanbo City	Xiamen	—	—	—	—	Investment	—	—	8,208.0
Yuzhou Diyuann Manor	Xiamen	—	—	—	—	Investment	—	—	1,529.0
Yuzhou Golden Seacoast	Xiamen	—	—	—	—	Investment	—	—	39,384.0
Yuzhou World Trade Center (Phase II)	Xiamen	—	—	—	—	Investment	—	—	16,505.0
Yuzhou International Hotel	Xiamen	—	—	—	—	Investment	—	—	42,124.0
Yuzhou Huacao City (Phase I)	Hefei	—	—	—	—	Investment	—	—	14,600.0
Yuzhou Jinqiao International (Phase III)	Shanghai	—	—	—	—	Investment	—	—	4,475.0
Aggregate GFA (sq.m.)			—	—	—	—			129,125.1
Retail properties in project phases held for future development									
Oriental Venice (Phase III)	Fuzhou	—	—	—	—	Investment	—	—	6,611.0
Yuzhou Jinqiao International (Phase IV)	Shanghai	—	—	—	—	Investment	—	—	3,800.0
Yuzhou Huacao City (Phase II)	Hefei	—	—	—	—	Investment	—	—	79,300.0
Aggregate GFA (sq.m.)			—	—	—	—			89,711.0

Notes:

- (1) Mr. Lam Lung On acquired all of these properties in June 2007.
- (2) Mr. Lam Wang Yu acquired 8,104.0 sq.m. in January 2007 and 488.6 sq.m. in June 2007.
- (3) Ms. Huang Shumu acquired all of these properties in January 2007.
- (4) Mr. Lam Wang Yu acquired all of these properties from our Group in October 2006 and leased the same back to our Group for the period from October 2006 to December 2007.
- (5) Phase I of Yuzhou World Trade Center and Phases I and II of Yuzhou Jinqiao International have been completed. As of the Latest Practicable Date, our Group held retail properties located in such project phases as properties held for investment. In the classification of our projects in this document, all phases of a project are considered to be properties under development prior to the completion of such project in its entirety. As both Yuzhou World Trade Center and Yuzhou Jinqiao International have not been completed in their entirety and are therefore categorized as projects under development in this document, the retail document held by our Group in Phase I of Yuzhou World Trade Center and Phases I and II of Yuzhou Jinqiao International are included in the properties held for investment under the properties under development category (instead of the completed properties category) in the table on page 105 of this document.
- (6) Our Group currently holds these retail properties as properties held for sale. We intend to sell these retail properties at a price and on commercial terms which we consider appropriate.

denotes Overlapping Projects in which the Lam Family Group and our Group hold certain retail properties.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth the revenues derived by our Group and the Lam Family Group from the leasing of retail properties for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	
Our Group's retail property leasing business				
Gross rental income	—	19,386 ⁽¹⁾	22,707 ⁽¹⁾	12,346 ⁽¹⁾
Rental income from properties in Overlapping Projects held for sale . . .	642 ⁽⁷⁾	1,615 ⁽⁷⁾	1,712 ⁽²⁾	644 ⁽²⁾
Rental income from properties held for sale (excluding properties in Overlapping Projects)	5,397	3,240	486 ⁽³⁾	264
	<u>6,039</u>	<u>24,241</u>	<u>24,905</u>	<u>13,254</u>
Retail Property Leasing Business				
Net rental income derived from Lam Family Group's Retail Properties ⁽⁶⁾	— ⁽⁹⁾	8,505 ⁽⁴⁾	17,197 ⁽⁵⁾	6,851 ⁽⁸⁾
	<u>—</u>	<u>8,505</u>	<u>17,197</u>	<u>6,851</u>

Notes:

- (1) This was derived from retail properties in Phase I of Yuzhou World Trade Center with an aggregate GFA of 33,979 sq.m.
- (2) This was derived from our retail properties in Phases I and II of Yuzhou Garden.
- (3) This was derived from our retail properties in Yuzhou Hai Tian Plaza.
- (4) This was derived from certain Lam Family Group's Retail Properties with an aggregate GFA of 16,865.8 sq.m.
- (5) This was derived from certain Lam Family Group's Retail Properties with an aggregate GFA of 18,918.9 sq.m.
- (6) These are unaudited numbers extracted from management accounts of the Lam Family Group.
- (7) This was derived from our retail properties in Phase II of Yuzhou Harbour City and Phases I and II of Yuzhou Garden.
- (8) This was derived from certain Lam Family Group's Retail Properties with an aggregate GFA of 17,947.9 sq.m.
- (9) No rental income was derived for the year ended December 31, 2006 as Mr. Lam Wang Yu, who is a member of the Lam Family Group, acquired two retail properties in Phase I of Yuzhou Garden from our Group in October 2006 and leased them back to our Group for a rent-free period of three months. Prior to such acquisition, the Lam Family Group did not own any Lam Family Group's Retail Properties.

Although the Lam Family Group and our Group engage in the leasing of retail properties (some of which are located in the Overlapping Projects), our Directors are of the view that the impact of any competition between the Retail Property Leasing Business and our Group's business is immaterial, taking into consideration the nature of the relevant projects, the aggregate GFA and rental income involved, the non-competition undertakings and corporate governance measures to be adopted, as well as the undertaking to sell all Lam Family Group's Retail Properties, details of which are set out below.

The Lam Family Group acquired retail properties in the following property developments from our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009 under the following circumstances:

Phases I and II of Yuzhou Overseas City and Phase I of Yuzhou Harbour City: Properties in Phases I and II of Yuzhou Overseas City and Phase I of Yuzhou Harbour City were completed and delivered in December 2004, March 2007 and October 2005, respectively. Following the completion of these projects, our Group proceeded to dispose all of the remaining unsold retail properties for cash to repay investors involved in such projects. In 2007, as there was insufficient market demand in Xiamen for bulk sales of retail properties, our Group sold the remaining retail properties to Mr. Lam Wang Yu,

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Mr. Lam Lung On and Ms. Huang Shunu, respectively. Our Group’s senior management believes that these properties were sold at wholesale prices reflecting the then prevailing market rates. Furthermore, investors involved in these projects did not object to such sale of properties.

Phase I of Yuzhou Garden: Properties in Phase I of Yuzhou Garden were completed and delivered in August 1999. In October 2006, our Group sold its office premises (which comprised of two retail properties with an aggregate GFA of 1,483.0 sq.m.) to Mr. Lam Wang Yu who leased them back to our Group. This sale and leaseback enabled our Group to reduce our tax payables for the two years ended December 31, 2007. We had occupied these office premises until our relocation to Yuzhou Overseas City in January 2008. Our Group’s senior management believes that (i) these office premises were sold at wholesale prices reflecting the then prevailing market rates; and (ii) these office premises were leased back to our Group at the then prevailing market rate on normal commercial terms (which include the customary rent-free period). Our PRC legal advisor is of the opinion that, on the basis that both the sale price stipulated in the property sale contract between our Group and Mr. Lam Wang Yu and the rental paid by our Group to Mr. Lam Wang Yu pursuant to the leaseback were in accordance with the then prevailing market rates, the sale and leaseback arrangement above is not in violation of the applicable PRC regulations.

As a result of the above acquisitions, both our Group and the Lam Family Group hold retail properties in the Overlapping Projects. We believe that while there is actual and potential competition between the Retail Property Leasing Business and our Group’s leasing business, the extent of such competition is immaterial to our Group for the following reasons:

Projects and GFA

- *Our Group’s larger portfolio.* In terms of GFA, our Group holds more retail properties for leasing purposes and has leased out more retail properties than the Lam Family Group. As of June 30, 2009, Lam Family Group’s portfolio comprises of retail properties with an aggregate GFA of 23,156.6 sq.m. (of which 17,947.9 sq.m. has been leased out and 5,208.8 sq.m. is available for lease) and our Group’s portfolio comprises of retail properties with an aggregate GFA of 48,894.1 sq.m. (of which 40,362.0 sq.m. has been leased out and 8,532.1 sq.m. is available for lease). Our Group expects to increase its holding of retail properties by 214,216.1 sq.m. upon completion of the projects disclosed in this document.
- *Properties in Overlapping Projects insignificant to our Group’s portfolio.* As of June 30, 2009, the Lam Family Group holds 4,973.3 sq.m. in Yuzhou Harbour City and 1,483.0 sq.m. in Yuzhou Garden. As of the same date, our Group holds 171.3 sq.m. in Yuzhou Harbour City and 2,205.7 sq.m. in Yuzhou Garden, which only accounted for approximately 0.35% and 4.5% of the aggregate GFA of completed retail properties then held by us.

Rental income

- *Our retail property leasing segment.* Revenue derived from our retail property leasing segment has been insignificant compared to our Group’s total revenue. For the two years

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ended December 31, 2008 and the six months ended June 30, 2009, the combined rental income from properties held for sale and for investment was approximately RMB24,241,000, RMB24,905,000 and RMB13,254,000, respectively, which only accounted for approximately 2.23%, 1.41% and 1.01%, respectively, of our total revenue for the corresponding periods.

- *Lam Family Group’s Retail Properties.* Revenue derived from the Retail Property Leasing Business has been insignificant as compared to our Group’s total revenue. For the two years ended December 31, 2008 and the six months ended June 30, 2009, the net rental income derived from Lam Family Group’s Retail Properties was approximately RMB8,505,000, RMB17,197,000 and RMB6,851,000, respectively, which were equivalent to approximately 0.78%, 0.97% and 0.52%, respectively, of our total revenue for the corresponding periods. In addition, the net rental income derived from Lam Family Group’s Retail Properties for the two years ended December 31, 2008 and the six months ended June 30, 2009 were equivalent to approximately 35%, 69% and 52%, respectively, of our Group’s total rental income for the corresponding periods.
- *Overlapping Projects.* Within the retail property leasing segment, the impact of competition between the Lam Family Group and our Group in terms of the Overlapping Projects has been insignificant since 2007. Our rental income derived from the Overlapping Projects for the two years ended December 31, 2008 and the six months ended June 30, 2009 only accounted for approximately 6.7%, 6.9% and 4.9% of our Group’s total rental income during the same periods.

Non-competition Undertakings

- *Minimizing competition by way of leasing.* For so long as the Lam Family Group holds any of the Lam Family Group’s Retail Properties, we expect there will be actual or potential competition between the Retail Property Leasing Business and our Group’s leasing business in terms of leasing. To minimize competition by way of leasing upon the completion of the Reorganization, our Controlling Shareholders undertake not to, and shall procure certain of their associates not to, renew any existing leases of the Lam Family Group’s Retail Properties which expire or are otherwise terminated within six months after the completion of the Reorganization. Please see “— Non-Competition Undertakings from our Controlling Shareholders” for more details. By virtue of such arrangements, upon the completion of the Reorganization, the involvement of the Lam Family Group in the Retail Property Leasing Business will be reduced to that of passive owners of the properties concerned. The Lam Family Group will not have the opportunity to use their expertise and industry knowledge to secure better returns from their properties.
- *No further acquisitions.* Our Controlling Shareholders undertake not to, and shall procure certain of their associates not to, acquire any additional investment properties, whether from our Group or otherwise, which would result in competition between the business of our Group and the business of our Controlling Shareholders and certain of their associates. Where our Group is required to dispose of unsold retail properties for the purpose of repaying investors involved in our projects, our Group will not sell any such retail properties to our Controlling Shareholders or certain of their associates and may acquire

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such unsold properties itself where appropriate. Please see “— Non-Competition Undertakings from our Controlling Shareholders” for more details.

- *Disposal of all Lam Family Group’s Retail Properties.* To completely eliminate competition between the Retail Property Leasing Business and our Group’s leasing business, our Controlling Shareholders undertake to, and shall procure the Lam Family Group to, sell all the Lam Family Group’s Retail Properties to Independent Third Parties on an arm’s length basis no later than six months after the completion of the Reorganization. Our Group has no intention to sell any commercial properties or retail properties held by us in Xiamen within six months immediately after the completion of the Reorganization. In the event that the Lam Family Group fails to sell all the Lam Family Group’s Retail Properties after the six-month period, our Controlling Shareholders undertake to sell, and shall procure the Lam Family Group to sell, all such remaining Lam Family Group’s Retail Properties (the “Residual Properties”) to our Group at a price to be determined with reference to an independent valuation of the Residual Properties concerned (the “Injection of Residual Properties”). The Injection of Residual Properties, if any, shall constitute connected transactions of our Group and our Directors confirm that our Group will comply with the relevant requirements of Chapter 14A of the Listing Rules. Please see “— Non-Competition Undertakings from our Controlling Shareholders” for more details.

The Retail Property Leasing Business will not be included into our Group’s business (other than to the extent of any Injection of Residual Properties) after taking into consideration: (i) our Directors’ view that any competition posed or to be posed by the Retail Property Leasing Business to our Group’s business is or will be immaterial; and (ii) undertakings by our Controlling Shareholders in relation to the disposal of all the Lam Family Group’s Retail Properties to Independent Third Parties within six months after the completion of the Reorganization.

Apart from the Retail Property Leasing Businesses above, the Controlling Shareholders of our Company and their associates do not engage in any other business which may compete, directly or indirectly, with the business of our Group.

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Properties other than retail properties held by our Controlling Shareholders and their associates

In addition to the retail properties held by the Lam Family Group as disclosed in “— Retained Businesses of our Controlling Shareholders”, our Controlling Shareholders and certain of their associates have retained their interests in the following residential properties and carparking spaces located in property developments developed by our Group for their own use and outside of the Retained Business:

<u>Property Development</u>	<u>Name of Owner/ Relationship with our Controlling Shareholders</u>	<u>Type of Property</u>	<u>Total GFA (sq.m.)</u>	<u>Difference between this property and properties held by our Group within the same property development</u>
Phase II of Yuzhou Overseas City, Xiamen	Kwok Ying Lan (our Controlling Shareholder)	residential	741.3	The units are situated in a different block from units held by our Group for sale.
	Lam Wang Yu (son of Lam Lung On and Kwok Ying Lan)	carparking spaces	400.7	Although Lam Wang Yu and our Group own carparking spaces in this property development, Lam Wang Yu holds such carparking spaces for self-use whereas our Group holds such carparking spaces for sale.
	Lam Yu Fong (daughter of Lam Lung On and Kwok Ying Lan)	residential	817.6	The units are situated in a different block from units held by our Group for sale.
Phase I of Yuzhou Harbour City, Xiamen	Lam Yu Fong (daughter of Lam Lung On and Kwok Ying Lan)	residential	95.2	Our Group does not hold any residential properties in this property development.

Non-Competition Undertakings from our Controlling Shareholders

On October 9, 2009, our Controlling Shareholders entered into a deed of non-competition undertakings (the “Deed of Non-competition”) with our Company pursuant to which they jointly and severally confirm or undertake, among others, for the period commencing on the date of the completion of the Reorganization and ending on the earlier of the date when the Controlling Shareholders cease to collectively hold, or are otherwise beneficially interested in 30% or more of the issued share capital of our Company (the “Non-competition Period”) that:

- (a) as of the date of the Deed of Non-competition, save as disclosed in the section headed “Relationship with our Controlling Shareholders” in this document, neither they nor any associates controlled and/or funded by them (whether directly or indirectly) engage or are interested in any entity which engages in any business that is directly or indirectly in competition with, or likely to compete with, the business of our Group;

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- (b) for so long as any of them is a Director and/or chairman of our Company, or they collectively hold or are otherwise beneficially interested in 30% or more of the issued ordinary share capital of our Company:
 - (i) they shall not, and shall procure associates controlled and/or funded by them (whether directly or indirectly) not to, engage in any business which will or may compete directly or indirectly with the business carried out by our Group, whether as a shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, save as disclosed in the section headed “Relationship with our Controlling Shareholders” in this document;
 - (ii) in the event that they or associates controlled and/or funded by them (whether directly or indirectly) are given any opportunity or identify any opportunity to engage in a business that is in competition with that of our Group, they shall, and shall procure those associates to, inform our Company of such opportunity as soon as practicable and provide all relevant information as is available to them or any such associates to our Company. Our Company has the right within one month thereafter to take up the opportunity. In the event that our Company decides to take up the opportunity, they shall use their best endeavors to assist our Group to obtain such opportunity. In the event that we decline such opportunity or fail to respond within the stipulated period, they or associates controlled and/or funded by them (whether directly or indirectly) may take up such opportunity upon terms no more favorable than those offered to our Group;
 - (iii) they shall not, and shall procure associates controlled and/or funded by them (whether directly or indirectly) not to, solicit business from a person, firm, company, incorporation, partnership or organization which is a customer or a potential customer of our Group, where our Group is involved in or engages in such business or has submitted a bid, tender or offer in respect of such business; and
 - (iv) they shall not, and shall procure associates controlled and/or funded by them (whether directly or indirectly) not to, solicit or endeavor to cause any current or former employee of any member of our Group to work for any other person, firm or company engaging in a business which will or may compete directly or indirectly with the business carried out or to be carried out by our Group;
- (c) for so long as any of them or the Lam Family Group holds any Lam Family Group’s Retail Properties after the Reorganization:
 - (i) they shall, and shall procure the Lam Family Group to, sell all Lam Family Group’s Retail Properties to Independent Third Parties at an arm’s length basis within six months after the Reorganization;
 - (ii) in the case where there are any Residual Properties at the end of six months after the Reorganization, they shall, and shall procure the Lam Family Group to, effect the Injection of Residual Properties as soon as it is practicable; and
 - (iii) pending the sale of the Lam Family Group’s Retail Properties to Independent Third Parties in paragraph (c)(i) and, where applicable, the Injection of Residual Properties

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in paragraph (c)(ii) above, they shall, and shall procure the Lam Family Group to, remain as passive owners of the Lam Family Group’s Retail Properties; they shall not, and shall procure the Lam Family Group not to, renew any existing leases of the Lam Family Group’s Retail Properties which expire or are otherwise terminated on a date within the first six-months immediately after the Reorganization;

- (d) they shall not, and shall procure associates controlled and/or funded by them (whether directly or indirectly) not to, acquire any additional retail properties from our Group or otherwise, which would result in competition between their business and our Group’s business;
- (e) in order to ensure compliance with the undertakings set forth in (a) to (d) above, each of them shall:
 - (i) provide all information necessary for a review at least once every six months by our independent non-executive Directors of the compliance by our Controlling Shareholders with the non-competition undertakings, such as: (x) information on business opportunities including project names, amount of investment and the geographical location which may be identified by our Controlling Shareholders or associates controlled and/or funded by them (whether directly or indirectly); and (y) information on any property developments or investments conducted by our Controlling Shareholders or associates controlled and/or funded by them (whether directly or indirectly) during the year or a negative confirmation, as appropriate;
 - (ii) procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of their non-competition undertakings either in our annual report or by way of announcement to the public;
 - (iii) make an annual declaration of compliance with their non-competition undertakings in our annual report and ensure that the disclosure of details of their compliance with and the enforcement of the non-competition undertakings is consistent with the principles of voluntary disclosure in the Corporate Governance Report contained in Appendix 23 to the Listing Rules; and
 - (iv) abstain from attending and voting at any meeting of our Shareholders and/or the Board and procure associates controlled and/or funded by them (whether directly or indirectly) to abstain from attending and voting at such meeting for consideration and approval of any matters which may give rise to any actual or potential conflicts of interest.

For the avoidance of doubt, there is no restriction on the engagement, participation, investment, or holding of interest (economically or otherwise) by the Controlling Shareholders (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) in any business which will or may compete directly or indirectly with the business carried out by our Group by way of passive investment during the Non-competition Period through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any business which will or may compete

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

directly or indirectly with the business carried out by our Group (a “Competing Entity”), where such investment or interest does not exceed 5% of the outstanding voting rights of such Competing Entity (taking into account the aggregate number of shares held by all of the Covenantors), and provided such investment or interest does not grant, nor does the Controlling Shareholders and/or their associates otherwise hold, any right to control the composition of the board of directors or managers of such Competing Entity nor any right to participate, directly or indirectly, in such Competing Entity.

In order to ensure compliance with the non-competition undertakings given by each of our Controlling Shareholders, our independent non-executive Directors will (i) review, at least once every six months, the compliance with the Deed of Non-competition by our Controlling Shareholders; and (ii) review and approve the decision as to whether to take up any business opportunity which is referred to our Group by our Controlling Shareholders and their associates. Our Company will disclose the results of the reviews and the decisions made by our independent non-executive Directors on the enforcement of breaches of the non-competition undertakings by way of announcement to the public and in our annual report.

RELIANCE OF AND INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Operational Independence

We have our own independent access to supplies of raw materials, our independent operation capabilities, as well as our own independent sales and marketing teams. Other than as disclosed in “Connected Transactions — Exempt Continuing Connected Transactions” of this document, our Group does not use or share any facilities or resources owned or possessed by the Controlling Shareholders or any of their associates during the three years ended December 31, 2008 and the six months ended June 30, 2009 and up to the Latest Practicable Date. Other than the Retail Property Leasing Business, there is no competing business between each of our Controlling Shareholders and our Group and our Controlling Shareholders have entered into the Deed of Non-competition in favor of our Company. Please see “Relationship with our Controlling Shareholders — Non-Competition Undertakings from our Controlling Shareholders” for more details. Therefore, we are able to operate independently and can carry on our business independently of our Controlling Shareholders and their associates.

Financial Independence

As of the date of this document, all loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled and that all securities and guarantees provided by our Controlling Shareholders and their respective associates on our Group’s borrowings have been fully released. Our Group has its own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, as well as independent access to third party financing. As such, our Directors believe that we are financially independent from our Controlling Shareholders and their associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Board currently comprises four executive Directors and three independent non-executive Directors. Other than Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui, who are our executive Directors holding directorships in the Retained Business, none of our Directors or senior management holds any directorship or senior management role in the Retained Business.

Notwithstanding the directorships held by Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui 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) Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui confirm that, so long as they remain as executive Directors of our Company, all positions held by them within the Retained Business are, and will continue to be, of a non-executive nature. In addition, each independent non-executive Director confirms that, as of the date of this document, he or she does not hold any directorship or senior management position within the Retained Business, and further undertakes that, so long as he or she remains as a Director of our Company, he or she will not accept any executive directorship or senior management position within the Retained Business;
- (b) Each of Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui confirms and undertakes that so long as they remain as an executive Director of our Company, he or she will devote sufficient time and resources required to discharge their director duties (including fiduciary duties and duties of skill, care and diligence) as Directors of our Company;
- (c) As the Communications Business and the Communication Training Center Business do not compete and are unlikely to compete with our core business, and the Retail Property Leasing Business only constitutes competition which is immaterial to our Group’s business, the dual roles assumed by Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui in most cases will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (d) We have three independent non-executive Directors, and certain matters of our Company, including connected transactions and other matters referred to in the non-competition undertakings, details of which are set out in the section headed “— Non-Competition Undertakings from our Controlling Shareholders” above, 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;
- (e) 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. Please see “Directors and Senior Management” for more details; and
- (f) 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.

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,

CONNECTED TRANSACTIONS

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,
	(RMB'000)	(RMB'000)	(RMB'000)	2009
				(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 Di Yuan.
- (3) This includes advances obtained by Kwok Ying Lan from Gangyi Communications Co., Xiamen Huaqiaocheng Co., Gangyi Investment Co., Fung Chow Co. and Singapore Di Yuan.
- (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.

CONNECTED TRANSACTIONS

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 Diyuang, 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 Diyuang, 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.

CONNECTED TRANSACTIONS

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.

CONNECTED TRANSACTIONS

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.

CONNECTED TRANSACTIONS

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

CONNECTED TRANSACTIONS

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.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board of Directors consists of seven Directors, of whom four are executive Directors and the remaining three are independent non-executive Directors. The Directors are appointed for a term not exceeding three years. The power and duties of our Board of Directors include convening shareholders’ meetings and reporting the Board’s work at shareholders’ meetings, implementing resolutions passed at 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. The following table sets forth certain information regarding members of our Board of Directors:

Name	Age	Position
Lam Lung On (林龍安)	44	Chairman, Executive Director
Kwok Ying Lan (郭英蘭)	39	Executive Director
Lin Longzhi (林龍智)	41	Executive Director
Lin Conghui (林聰輝)	38	Executive Director
Gu Jiande (辜建德)	66	Independent Non-Executive Director
Lam Kwong Siu (林廣兆)	75	Independent Non-Executive Director
Wee Henny Soon Chiang (黃循強)	63	Independent Non-Executive Director

EXECUTIVE DIRECTORS

Lam Lung On (林龍安), aged 44, was designated as the Chairman of our Board and our Executive Director on October 9, 2009. He founded our Group in December 1994. He is also a member of the remuneration committee and the nomination committee of our Company. Since December 1994, Mr. Lam has held positions including but not limited to chairman, vice-chairman, director and general manager in most of our subsidiaries and is primarily responsible for formulating our development strategies and supervising our project planning, financing, design and marketing. He has over fifteen years of experience in residential, commercial and hotel property development and investment. Mr. Lam is an adjunct professor and an executive member of the Council of Jimei University in Xiamen. In 2006, Mr. Lam became an honorary citizen of Xiamen accredited by the mayor of Xiamen. He has been a member of the 8th Standing Committee of the All-China Federation of Returned Overseas Chinese, the 9th Central Committee of the China Democratic National Construction Association, the 7th Standing Committee of the Fujian Provincial Federation of Returned Overseas Chinese and the Standing Committee of the 11th Xiamen Municipal Committee of Chinese People’s Political Consultative Conference. Mr. Lam also serves as executive deputy chairman of the China Federation of Overseas Chinese Entrepreneurs, deputy chairman of the 14th Xiamen Municipal Federation of Returned Overseas Chinese, life honorary chairman of the Hong Kong Federation of Fujian Associations, life honorary chairman of the 8th Hong-Kong Xiamen Friendship Union and deputy chairman of the 11th Committee of the Xiamen General Chamber of Commerce. Mr. Lam graduated from the University of Science and Technology of China with a master’s degree in Engineering in November 1996. Mr. Lam is the spouse of Ms. Kwok Ying Lan, our Executive Director, and the elder brother of Mr. Lin Longzhi, our Executive Director, and Mr. Lin Longguo, a member of our senior management and the brother-in-law of Mr. Lin Conghui, our Executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam has not held any directorship in any public listed companies in the past three years. Mr. Lam has never served as a government official. Mr. Lam worked for Xiamen Land Development Company, a state-owned enterprise, before he joined in our Group. Mr. Lam resided in the PRC for a substantial period of time before he moved to Hong Kong in 1999. Mr. Lam became a Hong Kong permanent resident in February 2006. He is one of our Controlling Shareholders. For Mr. Lam’s interest in the Shares of our Company within the meaning of Part XV of the SFO, please see “Statutory and General Information — Further Information about Directors and Substantial Shareholders” in Appendix VII to this document for more details. Save as disclosed above, there are no other matters concerning Mr. Lam’s appointment that need to be brought to the attention of the Shareholders and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Kwok Ying Lan (郭英蘭), aged 39, was designated as our Executive Director on October 9, 2009. She is also our General Manager. Since joining our Group in April 1997, Ms. Kwok has held positions including but not limited to chairman, director and general manager in most of our subsidiaries and is primarily responsible for overseeing our Purchasing Department. Ms. Kwok has over twelve years of experience in property development and financial management. Ms. Kwok has been an executive director of the Xiamen Association of Enterprises with Foreign Investment. She is the spouse of Mr. Lam Lung On, our Executive Director, and the sister-in-law of Mr. Lin Longzhi and Mr. Lin Conghui, our Executive Directors, and Mr. Lin Longguo, a member of our senior management.

Ms. Kwok has not held any directorship in any public listed companies in the past three years. Ms. Kwok has never served as a government official. Ms. Kwok worked for China Construction Bank Xiamen Branch, a state-owned bank, before she joined in our Group. Ms. Kwok resided in the PRC for a substantial period of time before she moved to Hong Kong in 2000. Ms. Kwok cancelled her PRC resident registration on August 16, 2000 and received her Hong Kong resident status on October 9, 2000. Ms. Kwok became a Hong Kong permanent resident in October 2007. She is one of our Controlling Shareholders. For Ms. Kwok’s interest in the Shares of our Company within the meaning of Part XV of the SFO, please see “Statutory and General Information — Further Information about Directors and Substantial Shareholders” in Appendix VII to this document. Save as disclosed above, there are no other matters concerning Ms. Kwok’s appointment that need to be brought to the attention of the Shareholders and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Lin Longzhi (林龍智), aged 41, was designated as our Executive Director on October 9, 2009. He is also our Vice General Manager. Since joining our Group in December 1997, Mr. Lin has held positions including but not limited to chairman, director and general manager in most of our subsidiaries and is primarily responsible for the supervision of daily operations of our Office of General Affairs, Human Resources Department, Initial Development Department, Customer Services Department and Legal Department. Mr. Lin has almost twelve years of experience in property development and investment. Mr. Lin has been a member of the 12th Xiamen Municipal People’s Congress and an executive director of the 4th Standing Committee of the Xiamen Real Estate Association. He also serves as a member of the Standing Committee of the Chinese People’s Political Consultative Conference of Quangan District, Xiamen, and deputy chairman of the Xiamen Association of Enterprises with Foreign Investment. Mr. Lin is the younger brother of Mr. Lam Lung

DIRECTORS AND SENIOR MANAGEMENT

On, our Executive Director, and the elder brother of Mr. Lin Longguo, a member of our senior management, the brother-in-law of Ms. Kwok Ying Lan, our Executive Director and the brother-in-law of Mr. Lin Conghui, who is also our Executive Director.

Mr. Lin has not held any directorship in any public listed companies in the past three years. Mr. Lin does not have any interest in the Shares of our Company within the meaning of Part XV of the SFO. Save as disclosed above, there are no other matters concerning Mr. Lin’s appointment that need to be brought to the attention of the Shareholders and there no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Lin Conghui (林聰輝), aged 38, was designated as our Executive Director on October 9, 2009. Since joining our Group in July 1998, Mr. Lin has held positions including but not limited to chairman and director in most of our subsidiaries and is primarily responsible for our Group’s quality control, budget formation, approval and review. Mr. Lin has over eleven years of experience in project management. He graduated from Tongji University with a diploma in Architecture Engineering in January 2006. Mr. Lin is the brother-in-law of Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, our Executive Directors, and Mr. Lin Longguo, a member of our senior management.

Mr. Lin has not held any directorship in any public listed companies in the past three years. Mr. Lin does not have any interest in the Shares of our Company within the meaning of Part XV of the SFO. Save as disclosed above, there are no other matters concerning Mr. Lin’s appointment that need to be brought to the attention of the Shareholders and there no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Gu Jiande (辜建德), aged 66, was appointed as an independent non-executive Director on October 9, 2009. He is also a member of the audit committee and the chairman of the remuneration committee and the nomination committee of our Company. He has been an independent non-executive director of Xiamen International Trade Group Corp., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (600755), since May 2009. He has been an independent non-executive director of Xiamen International Airport Co., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (600897), since May 2008. He was the president of Jimei University from May 1997 to September 2007, and is an executive member and secretary-general of the Council of Jimei University. Mr. Gu has been awarded Special Government Allowance by State Council of China since October 1993 recognizing his outstanding contribution to the national higher education; Tan Kah Kee Outstanding Contribution Awards by Chi Yu Tan Kah Kee Education Fund in October 2002; second prize of Scientific and Technical Development of Fujian Province and Xiamen City by Fujian Municipal People’s Government in 1992 and Xiamen Municipal People’s Government in 1995, respectively; the second prize of Institute of Higher Learning Scientific and Technical Achievement by Department of Education of Fujian Province in June 1984. Mr. Gu is the author of a number of publications and articles on various natural science and social science publications, including *Ordinary Differential Equations* (Xiamen University Press, August 1993); *Systems Engineering and Forecasting of Talents Demand*, (Xiamen University Press, November 1991); *Forecasting of Talents Demand in Fujian* (Xiamen University Press, September 1991); *Economic and Social Development and Demand*

DIRECTORS AND SENIOR MANAGEMENT

for Talents in Fujian (Xiamen University Press, April 1991); *Stability and Boundary of a Class of Generalized Continuous Hopfield Neural Network* (Dalian Maritime University Press, August 1996); *Stability and Boundedness of a Class of Second Order Ordinary Differential Equations* (Journal of Xiamen University (Natural Science), September 1993); *The Stability of the Large Scale Systems of a Class of Differential Equation with Delay (Theory of Ordinary Differential Equation and its Applications*, Science Press, October 1992); *Estimation of Delayed Quantity of A Class of Differential Equation with Delay* (Journal of Xiamen University (Natural Science), March 1991); and *Motion Stability of Linear Large Scale Systems* (Control Theory & Applications, 2nd Phase, 1985). Mr. Gu graduated from Peking University with an undergraduate certificate in mathematics in May 1968.

Mr. Gu is not connected with any Directors, senior management, substantial Shareholders or Controlling Shareholders. Mr. Gu does not have any interest in the Shares of the Company. Save as disclosed above, there are no other matters concerning Mr. Gu’s appointment that need to be brought to the attention of the Shareholders and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Lam Kwong Siu (林廣兆), aged 75, was appointed as an independent non-executive Director on October 9, 2009. He is also a member of the audit committee of our Company. He has more than fifty years of banking experience. In addition, Mr. Lam has held the following positions in the banking sector:

- a non-executive director of Bank of China International Limited (formerly known as BOCI Capital Limited) since July 2002;
- an independent non-executive director of CITIC Ka Wah Bank Limited (formerly known as The Hong Kong Chinese Bank, Limited) since January 2002;
- the vice chairman of BOC International Holdings Limited, a wholly owned subsidiary of the Bank of China Ltd since October 2001; and
- an independent non-executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited) since 1996. CITIC International Financial Holdings Limited is a Hong Kong incorporated company which was listed on the Hong Kong Stock Exchange (00183) until the withdrawal of its listing in November 2008.

Mr. Lam has served the following companies in the capacity of:

- an independent non-executive director of Xinyi Glass Holdings Limited, a Cayman Island incorporated company listed on the Hong Kong Stock Exchange (00868) since August 2004;
- an independent non-executive director of Fujian Holdings Ltd., a Hong Kong incorporated company listed on the Hong Kong Stock Exchange (00181) since December 2003;
- an independent non-executive director of China Overseas Land & Investment Ltd., a Hong Kong incorporated company listed on the Hong Kong Stock Exchange (00688) since September 2003;

DIRECTORS AND SENIOR MANAGEMENT

- an independent non-executive director of Wing On Travel (Holdings) Limited (formerly known as Ananda Wing On Travel (Holdings) Limited), a Bermuda incorporated company listed on Hong Kong Stock Exchange (01189) until January 2003; and
- an independent non-executive director of Lai Fung Holdings Limited, a Cayman Island incorporated company listed on the Hong Kong Stock Exchange (01125) from June 1999 to July 2001.

Mr. Lam was awarded the HKSAR Silver Bauhinia Star in 2003. He was a delegate of the Hong Kong Special Administrative Region of the PRC to the 10th National People’s Congress. He currently serves as the honorary chairman of the Hong Kong Federation of Fujian Associations, chairman of the Hong Kong Fukien Chamber of Commerce, deputy chairman of the Fujian Hong Kong Economic Co-operation, life honorary chairman of the Chinese General Chamber of Commerce, adviser of the Hong Kong Chinese Enterprises Association and the honorary president of the Chinese Bankers Club of Hong Kong.

Mr. Lam is not connected with any Directors, senior management, substantial Shareholders or Controlling Shareholders. Mr. Lam does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, there are no other matters concerning Mr. Lam’s appointment that need to be brought to the attention of the Shareholders and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Wee Henny Soon Chiang (also known as Wee Toon Kian) (黃循強), aged 63, was appointed as an independent non-executive Director on October 9, 2009. He is also the chairman of the audit committee, and a member of the remuneration committee and the nomination committee of our Company. He has more than 30 years’ experience in public accounting practice. Mr. Wee was an independent non-executive director of The Quaypoint Corporation Limited (formerly known as Techwayson Holdings Limited), a Cayman Island incorporated company listed on the Hong Kong Stock Exchange (02330), from September 2001 to November 2006. He is the founder of Henny Wee & Co., a firm of Certified Public Accountants (Practising) registered at Hong Kong Society of Accountants in February 1988. Mr. Wee is the partner of Henny Wee & Co. since 1988. Mr. Wee received a bachelor’s degree in Commerce from the University of Newcastle, New South Wales, in March 1971. He became an Associate Member of the Institute of Chartered Accountants (Australia) in July 1975, and a Certified Public Accountant (Practising) of the Hong Kong Society of Accountants, now known as the Hong Kong Institute of Certified Public Accountants, since 1988.

Mr. Wee is not connected with any Directors, senior management, substantial Shareholders or Controlling Shareholders. Mr. Wee does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, there are no other matters concerning Mr. Wee’s appointment that need to be brought to the attention of the Shareholders and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management (including directors who also hold executive positions):

Name	Age	Position
Kwok Ying Lan (郭英蘭)	39	General Manager
Lin Longzhi (林龍智)	41	Vice General Manager
Gao Chuanjian (高川建)	55	Vice General Manager
Fu Chunyu (傅春宇)	41	Assistant General Manager
Lin Yuhua (林宇華)	37	Chief Financial Officer
Chiu Yu Kang (邱于廣)	31	Financial Controller, Company Secretary
Zheng Xingmin (鄭醒民)	73	Chief Engineer
Chen Saihong (陳賽紅)	41	Chief Marketing Officer, Manager of Marketing Department
Wang Xianfu (王先福)	40	Manager of Initial Development Department
Chen Kaijie (陳開傑)	38	Financial Manager
Li Hongguang (李鴻光)	34	Head of Internal Audit Department
Lin Longguo (林龍國)	34	General manager of Kangtai Co., Kangtai Properties Co., Yuejiang Co., Shanghai Yanhai Co., Liyade Co., Shanghai Yuzhou Hotel Co.

For information on Ms. Kwok Ying Lan and Mr. Lin Longzhi, see “Directors and Senior Management — Board of Directors.”

Gao Chuanjian (高川建), aged 55, is the Vice General Manager of our Group. Mr. Gao joined the Group in May 2003. He is responsible for supervising Yuzhou Commercial Investment and Management Co. and Huaqiao Cheng Properties Co. Mr. Gao has more than twenty years of experience in the real estate development industry. Prior to joining our Group, Mr. Gao has worked as general manager in Xiamen Gulong Group Real Estate Company Limited, a property development company, from September 2000 to May 2003. From June 1985 to April 2000, he has worked in Xiamen TM Real Estate Development Co., Ltd., during which he has served as a vice general manager from 1990 to 1992 where he was responsible for the management of real estate development and construction engineering operations. From October 1980 to June 1985, he worked at the Administration Committee of Xiamen Special Economic Zone. Mr. Gao graduated from the Nanjing Institute of Technology (currently known as Southeast University) with a diploma in Architecture in 1978.

Fu Chunyu (傅春宇), aged 41, is our Assistant General Manager. Mr. Fu has more than nine years of relevant experience in property and engineering design and management. He joined our Group in February 2009. He reports directly to our General Manager and is responsible for formulating our development strategies, advising our General Manager on major decisions of the Company, management of the Construction Management Department and Project Audit Department and supervising the projects of our subsidiaries in Shanghai, Fuzhou and Hefei as well as overseeing the preparatory work in relation to our new investment projects. Prior to joining our Group, Mr. Fu has served as the vice president of marketing operations at North Carolina Chinese Business Association, a non-profit organization located in Raleigh, North Carolina, U.S., from January 2008 to November 2008. He has worked as a quality assurance engineer in Motricity Inc. in Durham, North Carolina, U.S., from January 2005 to May 2008. From May 2002 to October 2004, he has served as a software

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developer in Web Commerce Group in Raleigh, North Carolina, U.S. From August 1999 to January 2001, Mr. Fu has worked as a design architect in DLR Group in Seattle, Washington, U.S. From December 1993 to August 1997, he has worked as an architect and computer-aided-design manager in Prodecon Architects in Singapore. From August 1989 to December 1993, he has worked as a design architect in China Northeast Architectural Design & Research Institute Co., Ltd. in Xiamen. Mr. Fu received a master’s degree in Business Administration from Duke University on December 30, 2007, a master’s degree in Science from the North Carolina State University on May 18, 2002, a master’s degree in Architecture from the North Carolina State University on May 15, 1999 and a bachelor’s degree in Science from the Tongji University in July 1989.

Lin Yuhua (林宇華), aged 37, is our Chief Financial Officer and is responsible for financial management and financial strategies development of our Group. Ms. Lin joined our Group in May 2001. Ms. Lin has nearly sixteen years of relevant experience in financial management. She has served as the financial controller of Yuzhou Co. from August 2008 to July 2009 and the manager of the financial department of Yuzhou Co. from May 2001 to July 2008. Prior to joining the Group, Ms. Lin was the manager of the audit department of Xiamen Huacheng Accounting Firm Co., Ltd. from October 2003 to August 2005; manager of the audit department of Xiamen Xuchu Accounting Firm Co., Ltd. from May 2003 to October 2003; manager of the financial department of Huaqiaocheng Company from May 2001 to May 2003; financial controller of Xiamen Jianxing Leasing Co., Ltd. from February 1995 to May 2001; and an accountant in Xiamen Mechanical Metallurgical Industry Co., Ltd. from July 1993 to February 1995. Ms. Lin graduated from Xiamen University with a diploma in Business Management in July 2001. She has been a member of the Chinese Institute of Certified Public Accountants since September 2005 and was recognized as a senior accountant by Fujian Professional Senior Practising Accountants Review Committee in May 2007. She was qualified as an International Finance Manager by the International Financial Management Association in December 2006.

Chiu Yu Kang (邱于廣), aged 31, is our Financial Controller and Company Secretary. Mr. Chiu joined our Company in October 2008 and is responsible for oversight of our Group’s financial reporting procedures, company secretary matters, internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting, company secretarial and other related issues. From December 2004 to October 2008, Mr. Chiu served as a senior accountant at Ernst & Young in Hong Kong and was responsible for providing assurance and advisory services for Hong Kong listed companies. From June 2002 to December 2004, Mr. Chiu served as a senior audit accountant at Lau & Au Yeung C.P.A. Limited conducting audit for private companies in Hong Kong. Mr. Chiu graduated with a master’s degree in Economics and a bachelor’s degree in Business Administration from the University of Hong Kong in 2002 and 2001, respectively. He was admitted as a member of the Association of Chartered Certified Accountants on January 31, 2007 and a member of the Hong Kong Institute of Certified Public Accountants on January 1, 2009.

Zheng Xingmin (鄭醒民), aged 73, is our Chief Engineer and is responsible for the management of the Group’s Office of the Chief Engineer. Mr. Zheng has more than 50 years of relevant experience in engineering design. Since October 1996, he has worked as chief engineer and vice general manager of Yuzhou Co. Prior to joining the Group, Mr. Zheng has worked as the head of Xiamen Construction Superintendent Management Office from September 1993 to September 1996. From September 1986 to August 1993, he has served as the vice stationmaster of the Xiamen Construction Superintendent

DIRECTORS AND SENIOR MANAGEMENT

Station. Mr. Zheng graduated from Fuzhou City Construction School with a diploma in Industrial and Civil Architecture in August 1957. He was recognized as a Certified Senior Engineer by Fujian Senior Engineers and Technicians Committee on September 5, 1992.

Chen Saihong (陳賽紅), aged 41, is our Chief Marketing Officer and Manager of the Marketing Department of the Group and is responsible for the day-to-day management of the Group’s Marketing Department. Ms. Chen has accumulated eleven years of marketing management experience in the real estate industry. She joined the Group in April 1998. Ms. Chen has worked in Xiamen Fuhua Optical Industrial Company Limited, a glasses manufacturer, since 1989 until she joined the Group. Ms. Chen graduated from Xiamen University with a bachelor’s degree in Economics in 1989.

Wang Xianfu (王先福), aged 40, is the Manager of the Initial Development Department of the Group and is responsible for the day-to-day management of the Group’s Initial Development Department. Mr. Wang joined our Group in December 1994 and since then he has accumulated more than fourteen years’ experience in the real estate industry, focusing on the initial development stage of real estate projects.

Chen Kaijie (陳開傑), aged 38, is our Financial Manager. Mr. Chen has 15 years of relevant experience in financial management. He joined our Group in May 2008 and is responsible for the financial review and financial management of the Group’s Financial Department. Prior to joining the Group, he has worked as a financial manager for the Eastern China Region of Xiamen Dingkang Biotechnology Co. Ltd., a pharmaceutical production company, from November 2005 to May 2008. From December 2004 to October 2005, he has worked in Xiamen Zhongxing Accounting Firm, during which he has served as a Certified Public Accountant in China and a Certified Tax Agent. From March 2003 to November 2004, Mr. Chen has worked in the Financial Department of Fujian Heng’an Group and the group’s sales company in Yunan province, where he has served as a financial statement analyst and a financial manager. From March 1999 to March 2003, Mr. Chen has worked as a financial manager in Quanzhou Sansheng Rubber Plastic Foamed Shoes Material Co., Ltd. From August 1994 to December 1996, he has worked as a financial controller and stationmaster in the Administration of Grain in Datian County. Mr. Chen graduated from the University of Fuzhou with a diploma in Accounting in July 1994. Mr. Chen was admitted as a medium level Certified Public Accountant by the Board of Certified Public Accountants Examination of the Ministry of Finance on December 31, 2002. He became a Certified Tax Agent at the Fujian Bureau of Personnel on August 31, 2004.

Li Hongguang (李鴻光), aged 34, is the Head of Internal Audit Department of our Group. Mr. Li joined our Group in July 1999 and is responsible for internal audit review and management of the Company. Mr. Li has more than eleven years of experience in financial management of real estate enterprise. He has served as director in Xiamen Diyu Co. since November 2004 and Yuzhou Co. since May 2003. Mr. Li graduated from Jimei University with a diploma in Investment Economical Management in 1996.

Lin Longguo (林龍國), aged 34, is the General Manager of Kangtai Co., Kangtai Property Co., Yuejiang Co., Shanghai Yanhai Co., Liyade Co., Shanghai Yuzhou Hotel Co. Mr. Lin joined our Group in August 2000 and is responsible for the day-to-day management of our Group’s operations in Shanghai. He has served as the director of Liyade Co. since August 2007, executive director and

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manager of Kangtai Properties Co. since June 2007 and Manager Assistant of our Initial Development department from August 2000 to August 2004. He is currently pursuing a EMBA degree at the School of Management, Xiamen University. In July 2009, Mr. Lin graduated from the College of Network Education, Central South University and is expected to be awarded a diploma in business administration in 2010. Mr. Lin is the younger brother of Mr. Lam Lung On and Mr. Lin Longzhi, our executive directors.

COMPANY SECRETARY

Chiu Yu Kang is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of Mr. Chiu’s background, see “Directors and Senior Management — Senior Management”.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Audit Committee

Our Company has established an audit committee on October 9, 2009 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee will be to review and supervise the financial reporting process and internal control system of the Group, review and approve connected transactions and provide advice and comments to the board of Directors. The audit committee consists of three members, Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henny Soon Chiang, all of whom are independent non-executive Directors of our Company. The chairman of the audit committee is Mr. Wee Henny Soon Chiang.

Remuneration Committee

Our Company has also established a remuneration committee on October 9, 2009 which consists of three members, comprising two of our independent non-executive Directors, Mr. Gu Jiande and Mr. Wee Henny Soon Chiang, and one executive Director, Mr. Lam Lung On. The chairman of the remuneration committee is Mr. Gu Jiande. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

Nomination Committee

Our Company has established a nomination committee on October 9, 2009 in compliance with the Code of Corporate Governance Practice in the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee consists of three members, comprising two of our independent non-executive Directors, Mr. Gu Jiande and Mr. Wee Henny Soon Chiang, and one executive Director, Mr. Lam Lung On. The chairman of the nomination committee is Mr. Gu Jiande.

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EMPLOYEES

Overview

As of August 31, 2009, we had 656 full-time employees. The following table sets forth breakdowns of employees by function as of the same date.

<u>Division</u>	<u>Number of Employees</u>
Management	19
Sales and marketing	18
Project design	9
Research and development	7
Tendering	23
Project supervision	10
Legal and compliance	3
Finance management	32
Customer Services	7
Human resource	2
Office General Matters	34
IT	4
Property management	453
Asset management	35
Total	656

The Group’s Relationship with its Employees

Our Group has not experienced any significant problems with its employees or disruption to its operations due to labor disputes nor has it experienced any difficulty with the recruitment and retention of experienced staff. The Directors believe that our Group maintains a good working relationship with its employees.

Retirement Schemes

Our employees in the PRC participate in various pension schemes organized by the relevant municipal and provincial government under which we are required to make monthly contributions to these plans. The local government is responsible for the planning, management, and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. The total amount of contributions we made for such employee pension schemes for each of the financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB65,000, RMB232,000, RMB1,062,000 and RMB863,000, respectively.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

All Directors receive reimbursements from our Company for expenses which are necessarily and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company. The executive Directors elected by the board of our Company, who are

DIRECTORS AND SENIOR MANAGEMENT

also employees of our Company, are entitled to receive, in their capacity as employees of our Company, compensation in the form of salaries, other allowances and benefits in kind, including our Company’s contribution to the pension scheme for its executive Directors.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for each of the financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB317,000, RMB385,000, RMB3,318,000 and RMB1,549,000, respectively. Such remuneration is determined with reference to the Company’s business and financial performance in the relevant financial year. Following the Company’s decision in 2008 to commence the Reorganization, the remuneration of all Directors increased, albeit at a different rate for each Director, to a level not higher than that offered by other companies in the real estate industry.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid by our Group to our five highest paid individuals for each of the financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB375,000, RMB479,000, RMB3,479,000 and RMB1,999,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the three years ended December 31, 2008 and the six months ended June 30, 2009. Further, none of our Directors had waived any remuneration during the same period.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the financial year ending December 31, 2009 is estimated to be no more than RMB3.3 million.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

SHARE CAPITAL

The following is a description of the authorized and issued Share capital of our Company in issue.

		(Nominal value) HK\$
Authorized Share capital:		
100,000,000,000	Shares	10,000,000,000.00
Issued Share capital:		
806,399,058	Shares in issue as of the date of this document	80,639,905.80

SUBSTANTIAL SHAREHOLDERS

OUR SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will have beneficial interests or short positions in Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>	<u>Percentage of shareholding</u>
Mr. Lam Lung On	Beneficial owner and interest of spouse	1,800,000,000 ⁽²⁾	[●]%
Ms. Kwok Ying Lan	Beneficial owner and interest of spouse	1,800,000,000 ⁽³⁾	[●]%

Notes:

- (1) The relevant percentages have been calculated by reference only to [●] Shares being in issue.
- (2) Mr. Lam Lung On is the beneficial owner of 900,000,000 Shares (representing 37.5% of the issued share capital of the Company) and is deemed to be interested in the 900,000,000 Shares (representing 37.5% of the issued share capital of the Company) held by his spouse, Ms. Kwok Ying Lan, under the Securities and Futures Ordinance.
- (3) Ms. Kwok Ying Lan is the beneficial owner of 900,000,000 Shares (representing 37.5% of the issued share capital of the Company) and is deemed to be interested in the 900,000,000 Shares (representing 37.5% of the issued share capital of the Company) held by her spouse, Mr. Lam Lung On, under the Securities and Futures Ordinance.

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The following discussion should be read in conjunction with our combined financial information, together with the accompanying notes. Please see the Accountants’ Report in Appendix I to this document. Our audited financial information as of and for each of the years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009 was audited by Ernst & Young, certified public accountants, and prepared in accordance with HKFRS. The combined financial information as of and for the six months ended June 30, 2008 has been derived from our unaudited combined financial information included elsewhere in this document. We have prepared the unaudited combined financial information on the same basis as our audited combined financial information. The following discussion contains certain forward-looking statements that involve risks and uncertainties and, accordingly, you should not place undue reliance on any such statements.

OVERVIEW

We are one of the leading Fujian-based property developers and we consistently appear in the “Top 100 China Real Estate Enterprises”. In particular, we were among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009, according to the Xiamen Real Estate Association. We focus on high-quality residential, retail and commercial developments. To diversify our portfolio, we also develop commercial properties, including office buildings, shopping malls and hotels, and retain or intend to retain some of them as long-term investments. We also engage in property-related businesses such as property management for both residential and commercial properties.

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our revenue was RMB92.6 million, RMB1,083.7 million, RMB1,759.8 million, RMB1,612.8 million and RMB1,308.3 million, respectively. We recognize revenue from sales of a property in our income statement only when the property has been completed and is delivered to the buyer. Please see “— Critical Accounting Policies — Revenue recognition” for more details. Since the vast majority of properties we completed and delivered in 2008 were delivered during the first six months of 2008, our revenue for the six months ended June 30, 2008 accounted for 91.6% of our revenue for the year ended December 31, 2008.

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our profit for the period was RMB11.9 million, RMB377.5 million, RMB369.1 million, RMB332.8 million and RMB974.4 million, respectively. Our profit of RMB974.4 million for the six months ended June 30, 2009 included RMB699.1 million in fair value gains (net of deferred tax effect) on completed investment properties, which are properties held to earn rentals and/or for capital appreciation. In accordance with HKFRS, we are required to reassess the fair value of our completed investment properties on each reporting date, and we include the gains arising from changes in the fair value of such completed investment properties in our income statement in the period in which they arise. However, such gains included in our income statement reflect unrealized gains in the value of our completed investment properties, and do not constitute profit generated from our operations or generate any actual cash inflow. Please see “— Critical Accounting Policies — Valuation

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of our investment properties” and “— Description of Certain Income Statement Items — Fair value gains on investment properties” for more details.

The following table sets forth certain operating and financial data for the periods indicated which we have derived from our internal records and the Accountants’ Report set out in Appendix I to this document.

	As of and for the years ended December 31,			As of and for the six months ended June 30,	
	2006	2007	2008	2008	2009
Sales of properties recognized during the period (RMB in millions)	86.9	1,050.1	1,716.5	1,592.5	1,285.3
Receipts in advance (RMB in millions)	2,076.3	2,550.4	1,816.2	1,582.5	2,209.1
GFA contractually sold (sq.m.)	156,785	138,238	100,112	56,010	290,760
GFA delivered (sq.m.)	16,127	143,439	193,030	183,547	137,013

We do not recognize revenue from the sale and pre-sale of a property until such property is completed and delivered to the buyer, which normally takes place about nine to 24 months after the commencement of pre-sales. Revenue for most of the properties contracted to be sold during the six months ended June 30, 2009 will only be recognized in subsequent financial periods. Prior to the date of revenue recognition, we include proceeds received from properties sold, including pre-sale proceeds that we receive when we sell properties prior to their completion and delivery, in our statements of financial position as “Receipts in advance” under “Current Liabilities.” Accordingly, our results of operations may vary significantly from period to period, and in particular are dependent on the timing of completion and delivery of our properties. As such, period to period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenue. In addition, our historical results may not be indicative of our future performance.

BASIS OF PRESENTATION

In preparation for the Reorganization, our Company was incorporated in the Cayman Islands on April 23, 2008. Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group. Please see “History, Reorganization and Group Structure — Reorganization” for a description of the Reorganization.

The financial information presented in the Accountants’ Report includes the following assumptions:

- the combined income statements, combined statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of our Group and the companies now comprising our Group as a result of the Reorganization for the three years ended December 31, 2008 and the six months ended June 30, 2009, to which the following discussion relates, have been prepared as if our Group’s structure had been in existence throughout the three years ended December 31, 2008 and the six months ended June 30, 2009, or since their respective dates of incorporation or establishment, whichever is the shorter period;

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- the combined statements of financial position of our Group as of December 31, 2006, 2007 and 2008 and June 30, 2009 have been prepared to present the assets and liabilities of the companies comprising our Group at these dates as if the current group structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Controlling Shareholders at these dates;
- acquisitions other than those resulting from the Reorganization are accounted for using the purchase method; and
- all significant intra-Group transactions and balances between the companies now comprising our Group have been eliminated.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set out below.

Performance of the real estate market and demand for residential properties in property markets in which we have operations

Substantially all of our revenue was generated from operations in Xiamen during the three years ended December 31, 2008 and the six months ended June 30, 2009. Although our business has been concentrated in Xiamen, we have also expanded into other major cities in China including Shanghai, Fuzhou and Hefei since 2004. Macroeconomic factors in China and the performance of the property market in China, particularly in Xiamen and other cities in which we have development projects, have a direct impact on our results of operations. Economic growth, urbanization and higher standards of living in China have been the main driving forces underpinning the increasing market demand for residential properties, but such growth is often accompanied by volatility in market conditions and fluctuations in property prices. For example, following a period of rising property prices and transaction volume in most major cities from 2003 to 2007, the property market of China experienced a downturn in 2008 which continued into the first quarter of 2009, with transaction volume in many major cities, including Xiamen and other cities in which we have development projects, declining significantly compared to 2007. Average selling prices also declined in many cities during such period. Since early 2009, China’s real estate market has rebounded and many cities, including Xiamen and other cities in which we have development projects, have experienced increases in property prices and transaction volumes. The performance of the real estate market in China will continue to be affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of consumers, the level of interest rates, the exchange rate of Renminbi and the political, economic and regulatory environment in the PRC.

Our business in Xiamen and Fuzhou will also be affected by regional market demand, which we believe will benefit from the recent establishment of the West Strait Economic Zone. In May 2009, the Chinese State Council issued the Several Opinions Concerning Support for More Rapid

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Establishment of Economic Zone in the West Strait (《國務院關於支持福建省加快建設海峽西岸經濟區的若干意見》). The West Strait Economic Zone is an economic development zone in southeast China established to promote regional economic integration and cooperation between Fujian Province and Taiwan. The West Strait Economic Zone is developed against the backdrop of improving the cross-strait relationship between Mainland China and Taiwan and the relationship between Fujian and its neighboring provinces, given Fujian’s strategic location connecting the Pearl River Delta Area and the Yangtze River Delta Area. It is expected to accelerate economic development along the coastal cities in Fujian province in industries such as agricultural, manufacturing, service and technology. To that end, preferential policies are expected to be promulgated to promote the rapid and successful development of the Fujian economy, which we believe will have a positive impact on our business operations. Please see “Industry and Regulatory Overview — The Real Estate Markets in Xiamen and Fuzhou” for more details.

In accordance with industry practice, we are required to provide guarantees to banks in respect of mortgages offered to our customers until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks. If there is a downturn in the PRC economy or in any of the property markets in which we have operations, particularly in Xiamen, that results in the default of a significant number of our customers on their mortgages, we may have to repay the mortgages and may suffer a material loss if we are unable to sell the properties to recoup the costs. These factors will continue to have a significant impact on our results of operations.

Regulatory measures in the real estate industry in China

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including policies relating to:

- land acquisition;
- pre-sales;
- the availability of mortgage financing;
- the availability of capital through loans or other sources;
- sales or other transfers of land use rights and completed properties;
- taxes;
- planning and zoning; and
- building design and construction.

For example, the regulations that require government departments and agencies to grant State-owned land use rights for residential or commercial property development through competitive bidding processes have had a material impact on our operations. Please see “— Costs and procedures for acquiring suitable land” for more details.

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From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. In recent years, the PRC Government has instituted a variety of measures designed to stabilize and dampen any potential overheating of the real estate market, with particular focus on the residential sector. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential properties. As a result of such measures, property developments in certain regions of China grew at a slower pace in 2007 as compared with 2006 and 2005. In response to the current global economic crisis, the Chinese government has recently implemented a stimulus plan and other measures which have resulted in a significant rise in the volume of bank loans. Bank regulators in China have expressed concern about excessive lending for real estate investments. Excessive development fueled by cheap credit could cause an oversupply of property inventory leading to a significant market correction, which could adversely affect the sales volumes and selling prices of our projects. On the other hand, any efforts by bank regulators to curb excessive lending, if taken too far, might prevent developers from raising funds they need to start new projects. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. Please see “Industry and Regulatory Overview” and “Risk Factors — Risks Relating to Our Business — Our business is susceptible to fluctuations in the property market of China, particularly that of Xiamen, which may adversely affect our revenues and results of operations” for more details.

We are also highly susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC Government that are intended to restrict the ability of purchasers to obtain mortgages, that limit their ability to resell their properties or that increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue.

Costs and procedures for acquiring suitable land

Land costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary market by transfer, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including location of the property, timing of the acquisition, as well as the project’s plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by PRC Government-organized tenders, auctions or listings-for-sale, through private sale transactions or through the acquisition of other companies that hold land use rights. Our costs of land use rights are also vulnerable to changes in PRC regulations. If we acquire land which has existing buildings or other structures or is occupied by third parties, we have to bear the costs of demolition and/or resettlement. In most instances, pursuant to the land grant contract, the PRC Government completes the demolition of original structures and the resettlement of the original residents on the land while we typically pay the demolition and resettlement costs as part of the land premiums. In the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our average land costs per sq.m. of GFA delivered were RMB768, RMB780, RMB1,362, RMB1,362 and RMB1,738, respectively, as measured by dividing the aggregate land costs by the aggregate saleable GFA of properties delivered within these periods. Due to the general trend of

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rising land costs in the PRC and our strategy to acquire and develop land in desirable locations, we expect our average land costs per sq.m. of GFA delivered to continue to increase in future periods.

Construction costs

The principal component of our cost of sales is construction costs. Construction costs include all costs for the design and construction of a project, consisting primarily of fees paid to our contractors, including contractors responsible for infrastructure construction, civil engineering construction, landscaping, equipment installation and interior decoration, as well as design costs, materials and certain government surcharges. We typically designate for purchase certain fixture materials such as doors, windows, sanitary fittings and kitchen cabinets, which are required to satisfy national standards or be from certain name brands while the general contractors procure the more basic building materials, such as cement and steel. The construction costs of each of our projects vary not only according to the floor area and height of the buildings, but also according to the geology of the construction site. Historically, construction material costs have been the principal driver of our construction costs. In contrast, the cost of hiring independent contractors has remained relatively stable. Construction material costs fluctuate as a result of changes in prices of key materials such as steel and cement. Therefore, we are subject to price fluctuations of construction materials and our profitability may suffer if we cannot pass on the increased costs to our customers. Further, we typically pre-sell our properties prior to their completion and we may not be able to pass on the increased costs to our customers if construction costs increase subsequent to the pre-sale.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project that has been pre-sold. Please see “Business — Project Development — Pre-Sale” for additional details. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC Government, market demand for our properties subject to pre-sales 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 which will increase our costs and will impact our ability to finance our continuing property developments.

Access to, and cost of, bank financing

Bank borrowing is another important source of funding for our property developments. As of December 31, 2006, 2007, 2008 and June 30, 2009, our outstanding bank borrowings amounted to RMB917.2 million, RMB2,043.1 million, RMB2,219.5 million and RMB1,623.4 million, respectively. As commercial banks in the PRC link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase our interest costs. Our access to capital and cost of financing are also affected by the restrictions imposed from time to time by the PRC Government on bank lending for property development.

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Taxation

Corporate income tax. The corporate income tax rate that was generally applicable in China was 33% of taxable income prior to January 1, 2008 and has been 25% commencing on January 1, 2008. Our subsidiaries in Xiamen and our property development subsidiaries in Shanghai Pudong New District had been entitled to a preferential corporate income tax rate of 15% prior to January 1, 2008 pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. has been entitled to income tax exemption for the first two years commencing in 2004, which was the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. As a result of the EIT Law enacted by the National People’s Congress on March 16, 2007 and effective on January 1, 2008, the uniform enterprise income tax rate of 25% applies to our subsidiaries located in Xiamen and Shanghai Pudong New District as well as Fujian Yanhai Co. However, the EIT Law also provides a transition period starting from its effective date for those enterprises which were established before March 16, 2007 and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. On December 26, 2007, the State Council issued the Transition Preferential Policies Circular, which stipulates the income tax rates during the transition period to be applied to those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007. During such transition period, our subsidiaries established before March 16, 2007 and located in Xiamen and Shanghai Pudong New District were subject to a tax rate of 18% in 2008 and will be subject to a tax rate of 20% in 2009, 22% in 2010, 24% in 2011 and the uniform rate of 25% in 2012, and Fujian Yanhai Co. continued to enjoy its tax reduction treatment until the end of 2008. Except for our subsidiaries as mentioned above, our other subsidiaries located in China have been subject to corporate income tax at a rate of 25% commencing on January 1, 2008.

LAT. We are subject to LAT in the PRC. In the PRC, LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of the sales of properties less deductible expenditures, including: (i) land acquisition costs; (ii) costs related to the development of land, new buildings and related facilities; (iii) expenses, including finance costs and selling and general administrative expenses, of the land development and project construction, the total of which is capped at 10% of the aggregate of (i) and (ii) above; (iv) the appraised price of any existing buildings and structures above ground; (v) taxes related to the assignment of the real property; and (vi) for taxpayers that are real property developers, a further deduction which is equal to 20% of the aggregate of (i) and (ii) above. In addition, taxpayers that construct ordinary residential properties enjoy an exemption from payment of LAT, if the appreciation amount does not exceed 20% of the aggregate sum of deductions allowed under (i), (ii), (iii), (v) and (vi) above. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, LAT is payable on the full amount of the appreciation after taking account of the allowable deductions.

We have estimated and made provisions for the full amount of LAT in respect of our property developments and have recognized this in our combined income statements. The provisions for LAT we made for the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 amounted to RMB2.3 million, RMB41.9 million, RMB200.4 million and RMB198.9 million, respectively. The significant increases in the provisions for LAT for 2008 and the six months ended June 30, 2009 were primarily attributable to the higher appreciation rates of the projects sold during such periods as compared to those sold in the two years ended December 31, 2006 and 2007.

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The highest applicable marginal LAT rates applicable to our property developments for the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 were 30%, 30%, 50% and 60%, respectively. The highest applicable marginal LAT rates of 50% and 60% for 2008 and the six months ended June 30, 2009, respectively, were for projects sold in Xiamen, mainly due to higher selling prices of units at Galaxy Garden and Phase I of World Trade Center, respectively, which were subject to higher applicable land appreciation rates as compared with other projects during the three years ended December 31, 2008 and the six months ended June 30, 2009. As of the Latest Practicable Date, we had made provisions for LAT in compliance with PRC LAT laws and regulations. Any change in the LAT regulations and their implementation will have a direct impact on our profits.

We prepay LAT with reference to our pre-sales proceeds and the tax rates set out by local tax authorities. Please see “Industry and Regulatory Overview — Regulatory Overview — Land Appreciation Tax” and “Regulatory Overview — Taxation in China — Land Appreciation Tax” in Appendix IV for more details.

Our effective tax rates for 2006, 2007, 2008 and the six months ended June 30, 2009 were 28.6%, 32.6%, 49.0% and 35.5%, respectively.

Fair value adjustment of investment properties

Our results of operations have in the past been affected by adjustments in the fair value of our completed investment properties and may continue to be affected by such adjustments in the future. In accordance with HKFRS, we are required to reassess the fair value of our completed investment properties on each reporting date, and we include the gains or losses arising from changes in the fair value of such completed investment properties in our income statement in the period in which they arise. Pursuant to HKAS 40, our completed investment properties may be recognized by using either the fair value model or the cost model. We recognize completed investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our completed investment properties. The fair value of our completed investment properties is based on valuations of such properties conducted by our Property Valuer, using property valuation techniques involving certain assumptions of market conditions. Please see “— Critical Accounting Policies — Valuation of our investment properties” and the Property Valuation included in Appendix V to this document for more details.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we recognized fair value gains (net of deferred tax) on our investment properties in the amounts of RMB0.6 million, RMB55.0 million, RMB81.1 million and RMB699.1 million, respectively, which represented 5.0%, 14.6%, 22.0% and 71.7% of our total profits in those periods, respectively. Prospective investors should be aware that such gains included in our income statement reflect unrealized capital gains in the value of our completed investment properties at the relevant reporting date and do not constitute profit generated from our operations or generate any actual cash inflow to us. Favorable or unfavorable changes in the assumptions of market conditions used by the Property Valuer would result in changes to the fair value of our completed investment properties and corresponding adjustments to the amount of gains or losses reported in our income statement in the future. A decrease

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in the fair value of our completed investment properties in future reporting periods will result in the recognition of a loss in our income statement, which will reduce our profits and could have a material adverse impact on our results of operations. Please also see “Risk Factors — Risks Relating to our Business — Our results of operations include fair value gains on investment properties, which are unrealized” for additional information.

Fluctuation in results of operations

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognize revenue from the sale and pre-sale of our properties upon delivery, which normally takes place about 12 to 24 months after the commencement of pre-sales. Please see “— Critical Accounting Policies — Revenue recognition” for more details. Because the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue, if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial amount of capital required for land acquisition and construction, limited human resources, as well as limited land supplies. Please see “— Liquidity and Capital Resources — Financial resources and working capital” for more details.

In addition, we often develop properties in multiple phases over the course of several years. Typically, the selling prices of properties in such multiple-phase property developments tend to increase as the overall development comes closer to completion as more established residential communities are more attractive to potential purchasers which allows us to increase our prices.

In the future, we intend to increase the proportion of our recurring revenues generated by rental income by expanding our investment property portfolio, focusing primarily on offices, shopping malls, services apartments and hotels. Through an increase in recurring revenues, we expect to reduce, to a limited extent, the fluctuations in our results of operations.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to the Accountants’ Report included in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management’s judgment based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set

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forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial information. In addition, we discuss our revenue recognition policy below because of their significance, even though they do not involve significant estimates or judgments.

Revenue recognition

We recognize revenue from the sale of a property in our income statements once the property has been completed and delivered to the buyer pursuant to a sales agreement, which is when we consider the significant risks and rewards of ownership have been transferred to the buyer. Title to the property is normally not transferred for approximately one to two years after delivery. The long time lag required to complete title transfer is a common phenomenon in the PRC real estate market. In addition, in accordance with the “Explanation of Certain Questions on Adjudicating Disputes arising from Sale and Purchase Agreements of Commodity Housing” (《關於審理商品房買賣合同糾紛案件適用法律若干問題的解釋》) promulgated by the PRC Supreme Court, risks of property damage or fire are borne by purchasers following delivery. The purchasers are entitled to occupy and use the property and consummate the reward of ownership following delivery. We did not have any incidents during the three years ended December 31, 2008 and the six months ended June 30, 2009 where recognized revenue had to be reversed due to our failure in transferring the property title.

Deposits and installment payments received on properties sold prior to the date of revenue recognition, including pre-sale proceeds that we receive when we sell properties prior to their completion and delivery, are included in the statement of financial position as “Receipts in advance” under “Current Liabilities.”

We recognize rental income on a time proportion basis over the lease term. We recognize property management fees in the period when the services are rendered.

Cost of Sales

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their delivery, properties under development are included on our combined statements of financial position at the lower of cost and net realizable value.

Cost of sales for each property we sell includes construction costs, costs of obtaining land use rights and capitalized borrowing costs on related borrowed funds during the period of construction, based upon the total saleable GFA of properties expected to be sold in each project, which are allocated to each property based on the estimated relative saleable GFA of each property. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sales for a project, for example, due to fluctuations in construction costs or changes in development plans, we will need to finalize the cost

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with the contractor and allocate the increased or decreased cost to all the properties in the project, including those that have been pre-sold in prior periods, which will increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

Income Taxes

Corporate income tax. The income tax provision of our Group in respect of operations in China has been calculated at the applicable tax rate on the estimated assessable profits for the three years ended December 31, 2008 and the six months ended June 30, 2009, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate that was generally applicable in China was 33% of taxable income prior to January 1, 2008 and has been 25% commencing on January 1, 2008. Our subsidiaries in Xiamen and our property development subsidiaries in Shanghai Pudong New District had been entitled to a preferential corporate income tax rate of 15% prior to January 1, 2008 pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. had been entitled to income tax exemption for the first two years commencing in 2004, the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. As a result of the EIT Law enacted by the National People’s Congress on March 16, 2007 and effective on January 1, 2008, the uniform enterprise income tax rate of 25% applies to some of our subsidiaries in Xiamen and Shanghai Pudong New District and Fujian Yanhai Co. after certain transition period as stipulated by applicable PRC laws and regulations. All other subsidiaries located in China have been subject to corporate income tax at a rate of 25% commencing on January 1, 2008. For each for the PRC subsidiaries of the Group, the corporate income tax is provided at the applicable rate of the profits for the purpose of the PRC statutory financial reporting, adjusted for those items which are not assessable or deductible. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. When 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 period in which such determination is made.

LAT. We are also subject to LAT. Because at the time we deliver a property we may not have completed the entire phase of a project or the project as a whole, our estimate of LAT provisions at that time requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of the values of land, buildings and attached facilities and the various deductible items. We recognize LAT based on management’s best estimates according to its understanding of the tax rules. The final LAT obligation could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes are finalized with local tax authorities. Please see “— Key Factors Affecting Our Performance — Taxation — LAT” for more details.

Deferred income taxation. 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 financial statements. Deferred income tax is determined using the tax rates that have been enacted by the reporting date and are expected to apply when the related deferred income tax

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asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that our management believes 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 differences can be controlled by us, and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Properties Under Development and Completed Properties Held for Sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. We record the cost of properties under development on our combined statements of financial position based on the costs of acquired land use rights in respect of land acquired for development and the invoices and construction progress reports of our construction contractors and the construction supervisory companies in respect of the completion of construction projects. Completed properties remaining unsold are recorded on our combined statements of financial position as completed properties held for sale.

Net realizable value for our properties under development is determined by reference to management estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs of completion. Net realizable value for our completed properties held for sale is determined by our Directors based on prevailing market prices, or on individual property basis. We are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by our management, additional adjustments to the value of properties under development may be required.

Valuation of our investment properties

Our investment properties comprise properties held to earn rentals and/or for capital appreciation. In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, completed investment properties may be stated by using either the fair value model or the cost model. We have chosen to state completed investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our completed investment properties. Our use of the fair value model to account for completed investment properties at their fair values is consistent with our accounting policy as set out in the Accountants’ Report in Appendix I to this document and complies with the requirements of HKAS 40 “Investment Property”.

Property under construction or development for future use as an investment property is classified as investment property under construction. 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. Our Directors have concluded that the fair value of its

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investment properties under construction cannot be measured reasonably and, therefore, our investment properties under construction continue to be measured at cost until construction is completed.

The valuation of investment properties involves the exercise of professional judgment and requires the use of certain bases and assumptions with respect to factors including:

- 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 our Group operates.
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- 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 in which the investment properties are being operated and which are material to 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 at normal commercial terms.

Such specific assumptions are consistent with the approach undertaken by our Property Valuer in Appendix V to this document.

The bases and assumptions that the Property Valuer uses for the valuation typically include references to values realized in comparable precedent transactions in the market for properties of similar size, character and location. The fair value of our completed investment properties might have been higher or lower if the Property Valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers. In addition, upward revaluation adjustments reflect unrealized capital gains in the value of our completed investment properties at the relevant reporting dates, are not profit generated from day-to-day rental income from our completed investment properties, are largely dependent on the conditions prevailing in the property markets, and do not generate cash inflow to our Group for dividend distribution to our Shareholders unless such completed investment properties are disposed of and the capital gains are realized. The amount of revaluation adjustment has been, and may continue to be, significantly affected by the prevailing property markets and may go down as well as up. In relying on the valuation report, our management team has exercised its judgment and is satisfied that the method of valuation is reflective of current market conditions. Please see “— Description of Certain Income Statement Items — Fair Value Gains on Investment Properties” and Note 15 to the Accountants’ Report in Appendix I to this document.

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Capitalized Borrowing Costs

We capitalize a portion of our costs of borrowing to the extent that such costs are directly attributable to the construction of a project. In general, we capitalize finance costs incurred from the commencement of development of a relevant project until the relevant project or project phase is completed. For purposes of capitalization of borrowing costs, development commences when we begin the planning and design of a project with the relevant loan proceeds and ends after the relevant construction has been completed. For any given project, the finance costs incurred after the end of the month in which the relevant project or project phase is completed are not capitalized, but are instead accounted for in our combined income statements as finance costs in the period in which they are incurred.

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

The following summarizes components of certain income statement items appearing in the Accountants’ Report set out in Appendix I to this document, which we believe to be helpful to an understanding of the period to period discussions that follow below.

Revenue

Our revenue represents the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue, net of business tax, received and receivable from investment properties and (iii) property management fee income, net of business tax, during the three years ended December 31, 2008 and the six months ended June 30, 2009. We categorize our business into three segments, namely, property development (which represents sales of properties held for sale), property investment (which represents rental income from investment properties), and property management.

The following table sets forth our revenue in each business segment and the percentage of revenue represented by each segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
	(unaudited)									
	(RMB’000, except percentages)									
Property development	86,935	93.9%	1,050,052	96.9%	1,716,479	97.6%	1,592,520	98.7%	1,285,343	98.2%
Property investment	—	—	18,407	1.7	21,560	1.2	9,990	0.6	11,704	0.9
Property management	5,635	6.1	15,270	1.4	21,764	1.2	10,295	0.7	11,214	0.9
Total	<u>92,570</u>	<u>100.0%</u>	<u>1,083,729</u>	<u>100.0%</u>	<u>1,759,803</u>	<u>100%</u>	<u>1,612,805</u>	<u>100%</u>	<u>1,308,261</u>	<u>100%</u>

Revenue from property development represents proceeds from sales of our properties held for sale. Because we derive substantially all of our revenue from the property development segment, our results of operations for a given period depend upon the GFA of properties we have available for sale during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected by the general economic, political and regulatory developments in the PRC, particularly in

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Xiamen. Please see “— Key Factors Affecting Our Performance” for more details. The increase in revenue from property management was primarily due to the increase in GFA under our management, partially reflecting the increase in GFA sold and delivered by us.

Our financial performance for a given period depends substantially on the number of properties we completed and delivered within the period and the selling prices realized for these properties. The following table sets forth, for the periods indicated, the aggregate GFA of properties we delivered and the average selling prices per sq.m. for these properties, as measured by dividing the revenue from property sales by the aggregate GFA delivered.

	For the year ended December 31,									For the six months ended June 30,					
	2006			2007			2008			2008			2009		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)	(RMB'000) (unaudited)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)
Residential . . .	37,746	6,743	5,598	787,690	101,749	7,742	1,614,444	176,745	9,134	1,509,136	170,022	8,876	1,284,052	136,828	9,384
Retail and commercial .	32,234	3,797	8,489	192,706	25,513	7,553	43,283	1,268	34,135	40,522	1,363	29,730	—	—	—
Car park spaces	16,955	5,587	3,035	69,656	16,177	4,306	58,752	15,017	3,912	42,862	12,162	3,524	1,291	185	6,978
Total	86,935	16,127	5,391	1,050,052	143,439	7,321	1,716,479	193,030	8,892	1,592,520	183,547	8,676	1,285,343	137,013	9,381

Cost of sales

Cost of sales primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, land costs and capitalized borrowing costs on related borrowed funds during the period of construction.

The following table sets forth information relating to cost of properties sold for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,				
	2006		2007		2008		2008		2009		
							(unaudited)				
	(RMB'000, except percentages)										
Construction costs ..	36,886	74.1%	690,273	83.7%	714,469	71.4%	668,974	71.4%	354,695	52.8%	
Land costs	12,380	24.9	111,844	13.6	262,913	26.3	250,041	26.7	238,059	35.4	
Capitalized											
borrowing costs ..	497	1.0	22,589	2.7	23,275	2.3	17,461	1.9	79,032	11.8	
Total	49,763	100.0%	824,706	100.0%	1,000,657	100.0%	936,476	100%	671,786	100%	

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their completion and delivery, properties under development are included in our combined statements of financial position at the lower of cost and net realizable value. Net realizable value for our properties under development is determined by reference to management’s estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs of completion. Net

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realizable value for our completed properties held for sale is determined by our Directors based on prevailing market prices, or on individual property basis. The components of our cost of sales may change in any given year based on the stage of our projects in the property development process. Please see “Business — Property Development” for more details.

Construction costs. Construction costs represent costs incurred for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs are 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. Most of the costs of construction materials are accounted for as part of the contractor’s fees upon settlement with the relevant contractors.

In the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our average construction costs per sq.m. of GFA delivered were RMB2,287, RMB4,812, RMB3,701, RMB3,645 and RMB2,589, respectively, as measured by dividing the aggregate construction costs by the aggregate saleable GFA of properties delivered within these periods.

Land costs. Land costs include costs relating to acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. In addition to general property market conditions in the PRC and PRC economic development, our costs of land use rights are affected by the locations of the property projects, the timing of acquisitions, the project’s plot ratios as well as the method of acquisition.

In the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our average land costs per sq.m. of GFA delivered were RMB768, RMB780, RMB1,362, RMB1,362 and RMB1,738, respectively, as measured by dividing the aggregate land costs by the aggregate saleable GFA of properties delivered within these periods.

Capitalized interest expenses. We capitalize our borrowing costs as part of the cost of sales for a project or project phase to the extent that such costs are directly attributable to the construction of such project or project phase.

Selling and marketing costs

Selling and marketing costs include advertising and promotion expenses relating to sales and rental of our properties (including advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events), commissions of sales agents and other selling expenses. Our selling and marketing costs in any period are affected by the proportion of newly-introduced developments in that period.

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Administrative expenses

Administrative expenses include primarily staff salaries and benefits at our principal executive offices in Xiamen (excluding commissions of sales agents, which are recorded as selling and marketing costs, and salaries and benefits of project managers, which are recorded as cost of sales), office and business expenses and other administrative expenses. Our amortization costs and bad debt expenses are also booked under administrative expenses.

Fair Value Gains on Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair value at each reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The fair value was based on a valuation on these properties conducted by the Property Valuer using property valuation techniques which involve certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair value of the Group’s investment properties and corresponding adjustments to the amount of gain or loss reported in the combined income statement.

The following table sets forth the components of the fair value gains on investment properties (before deferred tax effect) for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
			(RMB'000)		
Kindergarten at Phase II of Yuzhou Overseas City	840	—	(1,700)	—	—
The Mall at Phase I of Yuzhou World Trade Center	—	73,396	56,000	12,000	146,000
The Mall at Phase II of Yuzhou World Trade Center	—	—	—	—	588,062
Phase I of Yuzhou Jinqiao International	—	—	53,788	35,910	—
Phase II of Yuzhou Jinqiao International	—	—	—	—	54,688
Yuzhou Golden Seacoast	—	—	—	—	143,344
Total	<u>840</u>	<u>73,396</u>	<u>108,088</u>	<u>47,910</u>	<u>932,094</u>

Finance costs

Finance costs primarily comprise interest costs net of capitalized interest relating to properties for sale. Please see “— Key Factors Affecting Our Performance — Borrowing costs” for more details. Since the construction period for a project or project phase does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project or project phase can be capitalized. Further, in the future our Company may borrow offshore loans which may not be fully capitalized. As a result, our finance costs may fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

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Taxation

Taxation represents PRC corporate income tax and LAT payable by our subsidiaries in China. The corporate income tax rate that was generally applicable in China during the three years ended December 31, 2008 and the six months ended June 30, 2009 was 33% of taxable income (except for certain subsidiaries). Our subsidiaries in Xiamen and our property development subsidiaries in Shanghai Pudong New District had been entitled to a preferential corporate income tax rate of 15% during the three years ended December 31, 2008 and the six months ended June 30, 2009 pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. has been entitled to income tax exemption for the first two years commencing in 2004, which was the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. As a result of the EIT Law enacted by the National People’s Congress on March 16, 2007 and effective on January 1, 2008, the uniform enterprise income tax rate of 25% applies to some of our subsidiaries in Xiamen and Fujian Yanhai Co. after certain transition period as stipulated by applicable PRC laws and regulations. All other subsidiaries located in China are subject to corporate income tax at a rate of 25% commencing on January 1, 2008. Please see “— Key Factors Affecting Our Performance — Taxation — Corporate income tax” for more details.

We operate as an overseas company for Cayman Islands regulatory purposes and are not subject to Cayman Islands income tax.

Minority interests

Minority interests represent our profit or loss after taxation that is attributable to the other shareholders of our non-wholly owned subsidiaries.

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SUMMARY COMBINED INCOME STATEMENTS

The following table sets forth, for the periods indicated, certain items derived from our combined income statements and their respective percentages of our total revenue.

	For the year ended December 31,						Six-month period ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB'000, except percentages)									
Revenue	92,570	100.0%	1,083,729	100.0%	1,759,803	100%	1,612,805	100%	1,308,261	100%
Cost of sales	(50,465)	(54.5)	(828,563)	(76.5)	(1,010,236)	(57.4)	(940,009)	(58.3)	(675,720)	(51.6)
Gross profit	42,105	45.5	255,166	23.5	749,567	42.6	672,796	41.7	632,541	48.4
Other income and gains	10,398	11.2	329,699	30.4	6,499	0.4	1,945	0.1	2,514	0.2
Selling and marketing expenses	(7,401)	(8.0)	(41,382)	(3.8)	(42,398)	(2.4)	(27,006)	(1.7)	(24,630)	(1.9)
Administrative expenses	(27,632)	(29.9)	(52,699)	(4.9)	(61,396)	(3.5)	(36,830)	(2.2)	(27,936)	(2.1)
Other expenses	(1,593)	(1.7)	(2,480)	(0.2)	(24,357)	(1.4)	(4,512)	(0.3)	(2,344)	(0.2)
Fair value gains on investment properties	840	0.9	73,396	6.8	108,088	6.1	47,910	3.0	932,094	71.2
Finance costs	—	—	(1,299)	(0.1)	(12,854)	(0.7)	(7,750)	(0.5)	(514)	(0.0)
Profit before tax	16,717	18.0	560,401	51.7	723,149	41.1	646,553	40.1	1,511,725	115.6
Tax	(4,783)	(5.1)	(182,886)	(16.9)	(354,053)	(20.1)	(313,731)	(19.5)	(537,332)	(41.1)
Profit for the year	11,934	12.9%	377,515	34.8%	369,096	21.0%	332,822	20.6%	974,393	74.5%
Attributable to:										
Our equity holders	8,160	8.8	376,898	34.7	292,178	16.6	273,670	16.9	977,053	74.7
Minority interests	3,774	4.1	617	0.1	76,918	4.4	59,152	3.7	(2,660)	(0.2)
	<u>11,934</u>	<u>12.9%</u>	<u>377,515</u>	<u>34.8%</u>	<u>369,096</u>	<u>21.0%</u>	<u>332,822</u>	<u>20.6%</u>	<u>974,393</u>	<u>74.5%</u>
Earnings per share attributable to our equity holders	N/A		N/A		N/A		N/A		N/A	

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenue. Our revenue decreased by RMB304.5 million, or 18.9%, to RMB1,308.3 million for the six months ended June 30, 2009 from RMB1,612.8 million for the six months ended June 30, 2008, primarily due to an decrease of RMB307.2 million, or 19.3%, in revenue generated from property development to RMB1,285.3 million for the six months ended June 30, 2009 from RMB1,592.5 million for the six months ended June 30, 2008.

The decrease in revenue generated from property development was primarily due to a decrease of 46,534 sq.m., or 25.4%, in GFA delivered by us to 137,013 sq.m. in the six months ended June 30, 2009 from 183,547 sq.m. in the six months ended June 30, 2008, partially offset by an increase of RMB705, or 8.1%, in the average selling price per sq.m. to RMB9,381 in the six months ended June 30, 2009 from RMB8,676 in the six months ended June 30, 2008.

The decrease in GFA delivered in the six months ended June 30, 2009 primarily resulted from the fact that in such period, under our normal construction and delivery schedules, we completed and delivered units in two property development projects, whereas in the six months ended June 30, 2008, we completed and delivered units in three property development projects. During the six months ended June 30, 2009, an aggregate GFA of 135,201 sq.m. and revenue of RMB1,269.4 million were

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attributable to the sales of units in Phase I of Yuzhou World Trade Center, Yuzhou Golden Seacoast and Galaxy Garden, which accounted for 98.7% of total GFA delivered by us and 98.8% of our total revenue generated from property development, respectively, during the same period.

The increase in average selling price per sq.m. in the six months ended June 30, 2009 primarily reflected an increase in the average selling price per sq.m. for residential properties delivered by us during such period. The average selling price per sq.m. for residential properties increased by RMB508, or 5.7%, reflecting, among other things, the relatively high average selling price for units in Phase I of Yuzhou World Trade Center, which was partially attributable to the attractive location of Yuzhou World Trade Center in Xiamen’s central train station commercial district as well as a general increase in demand and prices for properties in Xiamen.

The following table sets forth sales information relating to the type of properties we delivered for the six months ended June 30, 2008 and 2009, respectively.

	For the six months ended June 30,					
	2008			2009		
	Revenue (RMB'000)	GFA delivered (sq.m.)	Average selling price (RMB)	Revenue (RMB'000)	GFA delivered (sq.m.)	Average selling price (RMB)
Residential	1,509,136	170,022	8,876	1,284,052	136,828	9,384
Retail and commercial	40,522	1,363	29,730	—	—	—
Car park space	42,862	12,162	3,524	1,291	185	6,986
Total	1,592,520	183,547	8,676	1,285,343	137,013	9,381

The following table sets forth, for each project or project phase indicated, the revenue generated from such project or project phase, the percentage of our total revenue it represented, the GFA sold and the average selling price per sq.m. for the six months ended June 30, 2008 and 2009, respectively.

Project	For the six months ended June 30,							
	2008				2009			
	Revenue (RMB'000)	Percentages of revenue	GFA delivered (sq.m.)	Average selling price (RMB)	Revenue (RMB'000)	Percentages of revenue	GFA delivered (sq.m.)	Average selling price (RMB)
Yuzhou World Trade Center -								
Phase I	—	—	—	—	616,038	47.9%	43,053	14,309
Yuzhou Golden Seacoast -								
Phase I	—	—	—	—	346,728	27.0%	55,846	6,209
Galaxy Garden	—	—	—	—	306,675	23.9%	36,302	8,448
Yuzhou Jinqiao International -								
Phase I	283,415	17.8%	21,579	13,134	5,345	0.4%	391	13,670
Yuzhou Harbour City -								
Phase II	814,826	51.2%	100,291	8,125	1,750	0.1%	427	4,098
Yuzhou Hai Tian Plaza	473,473	29.7%	57,042	8,300	—	0.0%	—	—
Others	20,806	1.3%	4,635	4,489	8,807	0.7%	994	8,860
	1,592,520	100.0%	183,547	8,676	1,285,343	100.0%	137,013	9,381

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Our revenue from property management increased by RMB0.9 million, or 8.7%, to RMB11.2 million for the six months ended June 30, 2009 from RMB10.3 million for the six months ended June 30, 2008.

Our revenue generated from property investment increased by RMB1.7 million, or 17.0%, to RMB11.7 million for the six months ended June 30, 2009 from RMB10.0 million for the six months ended June 30, 2008, primarily comprising rental income from leasing the retail and commercial properties in The Mall at Yuzhou World Trade Center.

Cost of sales. Cost of sales decreased by RMB264.3 million, or 28.1%, to RMB675.7 million for the six months ended June 30, 2009 from RMB940.0 million for the six months ended June 30, 2008, primarily due to a decrease of RMB264.7 million, or 28.2%, in costs we incurred directly for our property development activities. The decrease in costs we incurred directly for our property development activities was due to the combination of a decrease in the GFA delivered in the six months ended June 30, 2009 and a decrease in average costs per sq.m. during the same period. The costs per sq.m. decreased by RMB199, or 3.9%, to RMB4,903 in the six months ended June 30, 2009 from RMB5,102 in the six months ended June 30, 2008, primarily due to a decrease of RMB1,056, or 28.9%, in construction cost per sq.m. to RMB2,589 in the six months ended June 30, 2009 from RMB3,645 in the six months ended June 30, 2008. The decrease in construction costs per sq.m. reflected, among other things, the fact that construction costs for the six months ended June 30, 2008 included relatively high construction costs per sq.m. for the units in Phase I of Yuzhou Jinqiao International primarily due to their high ceiling design, while the construction costs for the six months ended June 30, 2009 included relatively low construction costs per sq.m. for the units in Yuzhou Golden Seacoast and Galaxy Garden. The decrease in construction costs per sq.m. was partially offset by an increase of RMB376, or 27.6%, in land costs per sq.m. to RMB1,738 in the six months ended June 30, 2009 from RMB1,362 in the six months ended June 30, 2008, which reflected, among other things, the relatively high land costs per sq.m. in respect of Galaxy Garden and Yuzhou Golden Seacoast.

Gross profit. Gross profit decreased by RMB40.3 million, or 6.0%, to RMB632.5 million for the six months ended June 30, 2009 from RMB672.8 million for the six months ended June 30, 2008. Our gross profit margin increased to 48.4% for the six months ended June 30, 2009 from 41.7% for the six months ended June 30, 2008, as a result of the combination of an increase in average selling price per sq.m. and a decrease in the average costs per sq.m. during the same period.

Other income and gains. Other income and gains increased to RMB2.5 million for the six months ended June 30, 2009 from RMB1.9 million for the six months ended June 30, 2008.

Selling and marketing expenses. Our selling and marketing costs decreased by RMB2.4 million to RMB24.6 million for the six months ended June 30, 2009 from RMB27.0 million for the six months ended June 30, 2008, primarily due to a decrease of RMB4.6 million in commissions for sales agents, which in turn was primarily attributable to the decrease in recognized revenue in the six months ended June 30, 2009. The decrease in commissions for sales agents was partially offset by an increase of RMB2.3 million in advertising and promotion expenses as we introduced more new projects or project phases for pre-sale in the six months ended June 30, 2009.

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Administrative expenses. Administrative expenses decreased by RMB8.9 million to RMB27.9 million for the six months ended June 30, 2009 from RMB36.8 million for the six months ended June 30, 2008, in part due to a decrease of RMB4.5 million in donations, and a decrease of RMB1.5 million in amortization of land use rights as we received the work commencement permit for Phase I of Yuzhou Huaqiao City in 2008 and reclassified the land parcel for such project from prepaid land lease payments to properties under development.

Fair value gains on investment properties. Our fair value gains on investment properties increased significantly to RMB932.1 million for the six months ended June 30, 2009 from RMB47.9 million for the six months ended June 30, 2008. Our fair value gains on investment properties in the six months ended June 30, 2009 were primarily attributable to the investment properties in the Mall at Phase II of Yuzhou World Trade Center, Yuzhou Golden Seacoast and Phase II of Yuzhou Jinqiao International, which were completed and thus added to our investment properties in the six months ended June 30, 2009, and, to a lesser extent, the investment properties in The Mall at Phase I of Yuzhou World Trade Center.

Finance costs. The finance costs of RMB0.5 million in the six months ended June 30, 2009 primarily represented interest expenses incurred by us which were not directly attributable to land acquisition or construction and therefore could not be capitalized.

Taxation. Taxation increased by RMB223.6 million to RMB537.3 million for the six months ended June 30, 2009 from RMB313.7 million for the six months ended June 30, 2008, primarily as a result of an increase in deferred tax of RMB223.6 million, which in turn was primarily attributable to the significant increase in fair value gains on investment properties in the six months ended June 30, 2009. In the tax reconciliation for the six months ended June 30, 2008 presented in the Accountants’ Report in Appendix I to this document, the expenses not deductible for tax mainly represented the costs of construction deemed not tax deductible by the local tax authorities upon the tax audit for the completed projects.

Profit for the period. Profit for the period increased by RMB641.6 million to RMB974.4 million in the six months ended June 30, 2009 from RMB332.8 million in the six months ended June 30, 2008, as a result of the cumulative effect of the foregoing factors.

2008 compared to 2007

Revenue. Our revenue increased by RMB676.1 million, or 62.4%, to RMB1,759.8 million for 2008 from RMB1,083.7 million for 2007, primarily due to an increase of RMB666.5 million, or 63.5%, in revenue generated from property development to RMB1,716.5 million for 2008 from RMB1,050.0 million for 2007.

The increase in revenue generated from property development was (i) primarily due to an increase of 49,591 sq.m., or 34.6%, in GFA delivered by us to 193,030 sq.m. in 2008 from 143,439 sq.m. in 2007 and (ii) to a lesser extent, due to an increase of RMB1,571, or 21.5%, in the average selling price per sq.m. to RMB8,892 in 2008 from RMB7,321 in 2007.

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The increase in GFA delivered in 2008 was primarily due to the completion and delivery of units in Phase II of Yuzhou Harbour City, Yuzhou Hai Tian Plaza and Phase I of Yuzhou Jinqiao International during such period, which contributed more GFA delivered as compared to 2007. In 2008, an aggregate GFA of 181,694 sq.m. and revenue of RMB1,614.3 million were attributable to the sales of units in Phase II of Yuzhou Harbour City, Yuzhou Hai Tian Plaza and Phase I of Yuzhou Jinqiao International, which accounted for 94.1% of total GFA delivered by us and 94.0% of our total revenue generated from property development, respectively, during the same period.

The increase in average selling price per sq.m. in 2008 primarily reflected increases in average selling prices per sq.m. for residential properties and retail and commercial properties delivered by us during such period. The average selling price per sq.m. for residential properties increased by RMB1,392, or 18.0%, reflecting, among other things, a general increase in demand and prices for properties in Xiamen as well as the relatively high average selling price for units in Phase I of Yuzhou Jinqiao International, which is located in the Pudong district of Shanghai. The average selling price for residential properties in Shanghai has been generally higher than that in Xiamen. The average selling price per sq.m. for retail and commercial properties increased by RMB26,581 or 351.9%, primarily reflecting that the retail and commercial properties in Yuzhou Hai Tian Plaza and Phase II of Yuzhou Harbour City sold and delivered in 2008 were generally at more desirable floors or locations and commanded higher average selling prices.

The following table sets forth sales information relating to the type of properties we delivered for 2007 and 2008, respectively.

	For the year ended December 31,					
	2007			2008		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq. m.)	(RMB)	(RMB'000)	(sq. m.)	(RMB)
Residential	787,690	101,749	7,742	1,614,444	176,745	9,134
Retail and commercial	192,706	25,513	7,553	43,283	1,268	34,135
Car park space	69,656	16,177	4,306	58,752	15,017	3,912
Total	<u>1,050,052</u>	<u>143,439</u>	<u>7,321</u>	<u>1,716,479</u>	<u>193,030</u>	<u>8,892</u>

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The following table sets forth, for each project or project phase indicated, the revenue generated from such project or project phase, the percentage of our total revenue it represented, the GFA sold and the average selling price per sq.m. for 2007 and 2008, respectively.

Project	For the year ended December 31,							
	2007				2008			
	Revenue	Percentages of revenue	GFA delivered	Average selling price	Revenue	Percentages of revenue	GFA delivered	Average selling price
	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)
Yuzhou Harbour City - Phase II ..	—	—	—	—	837,009	48.8%	101,057	8,283
Yuzhou Hai Tian Plaza	—	—	—	—	474,873	27.7%	57,706	8,229
Yuzhou Jinqiao International -								
Phase I	—	—	—	—	302,375	17.6%	22,931	13,186
Galaxy Garden	—	—	—	—	65,327	3.8%	4,447	14,690
Yuzhou Harbour City - Phase I ...	50,742	4.8%	10,989	4,618	21,237	1.2%	3,992	5,320
Yuzhou Overseas City - Phase I ..	45,794	4.4%	9,337	4,905	5,319	0.3%	831	6,401
Yuzhou Overseas City -								
Phase II	758,210	72.2%	95,295	7,956	4,530	0.3%	825	5,491
Shuilian Manor	186,454	17.8%	26,166	7,126	926	0.1%	137	6,759
Others	8,852	0.8%	1,652	5,358	4,883	0.2%	1,104	4,423
	<u>1,050,052</u>	<u>100.0%</u>	<u>143,439</u>	<u>7,321</u>	<u>1,716,479</u>	<u>100.0%</u>	<u>193,030</u>	<u>8,892</u>

Our revenue from property management increased by RMB6.5 million, or 42.5%, to RMB21.8 million for 2008 from RMB15.3 million for 2007, primarily due to an increase in GFA under our management, which partially reflected the increase in cumulative GFA sold and delivered by us.

Our revenue generated from property investment increased by RMB3.2 million, or 17.4%, to RMB21.6 million for 2008 from RMB18.4 million for 2007, primarily comprising rental income from leasing the retail and commercial properties in The Mall at Phase I of Yuzhou World Trade Center.

Cost of sales. Cost of sales increased by RMB181.6 million, or 21.9%, to RMB1,010.2 million for 2008 from RMB828.6 million for 2007, primarily due to an increase of RMB176.0 million, or 21.3%, in costs we incurred directly for our property development activities. The increase in costs we incurred directly for our property development activities was primarily due to the increase in the GFA delivered in 2008, partially offset by a decrease in average costs per sq.m. during the same period. The costs per sq.m. decreased by RMB566, or 9.8%, to RMB5,184 in 2008 from RMB5,750 in 2007, primarily due to a decrease of RMB1,111, or 23.1%, in construction cost per sq.m. to RMB3,701 in 2008 from RMB4,812 in 2007, partially offset by an increase of RMB582, or 74.6%, in land costs per sq.m. to RMB1,362 in 2008 from RMB780 in 2007. The decrease in construction costs per sq.m. reflected, among other things, the fact that construction costs per sq.m. for 2007 included relatively high construction costs for the units in Phase II of Yuzhou Overseas City due to certain premium features such as indoor gardens and computerized security systems and for the units in Shuilian Manor due to their high ceiling design. The decrease in construction costs per sq.m. was partially offset by increases in the costs of construction materials, such as steel and cement, and labor. The increase in land costs per sq.m. reflected, among other things, the relatively high land costs per sq.m. in respect of Phase I of Yuzhou Jinqiao International and Yuzhou Hai Tian Plaza.

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Gross profit. Gross profit increased by RMB494.4 million to RMB749.6 million for 2008 from RMB255.2 million for 2007. Our gross profit margin increased to 42.6% for 2008 from 23.5% for 2007, primarily as a result of the combination of an increase in average selling price per sq.m. and a decrease in the average costs per sq.m. during the same period.

Other income and gains. Other income and gains decreased significantly to RMB6.5 million for 2008 from RMB329.7 million for 2007, primarily due to a one-time gain of RMB319.9 million in 2007 reflecting the difference between the fair value of the assets acquired and the consideration we paid for the entire interest in Guifeng Co. The consideration of approximately RMB258.4 million was arrived at after arm’s length negotiation with the sellers, who were Independent Third Parties, and were based on normal commercial terms. As Guifeng Co. suffered losses in prior years due to inefficiencies on the part of its then management team, we were able to bargain for a lower price for the acquisition. Part of the consideration amounting to approximately RMB193.4 million was paid by February 7, 2007.

Selling and marketing expenses. Our selling and marketing costs increased by RMB1.0 million to RMB42.4 million for 2008 from RMB41.4 million for 2007, primarily due to an increase of RMB10.6 million in commissions for sales agents to RMB22.9 million in 2008 from RMB12.3 million in 2007, which in turn was primarily attributable to the increase in recognized revenue in 2008, partially offset by a decrease of RMB12.9 million in advertising and promotion expenses to RMB14.4 million in 2008 from RMB27.3 million in 2007 as we introduced less new projects or project phases for pre-sale in 2008.

Administrative expenses. Administrative expenses increased by RMB8.7 million to RMB61.4 million for 2008 from RMB52.7 million for 2007, in part due to (i) donations in the amount of RMB5.5 million in 2008 in connection with, among other things, the earthquake in Sichuan, China in May 2008, (ii) amortization of land use rights in the amount of RMB10.9 million with respect to the land parcels for Phase IV of Yuzhou Jinqiao International and Yuzhou Huaqiao City in 2008, and (iii) non-interest bank fees and expenses in the amount of RMB2.9 million in 2008, partially offset by a decrease of RMB2.0 million in office and business expenses as we incurred more office and business expenses in 2007 in expanding our scale of operations during such period.

Other expenses. Other expenses increased by RMB21.9 million to RMB24.4 million for 2008 from RMB2.5 million for 2007, primarily due to an increase of approximately RMB19.8 million in legal and professional fees in connection with the Reorganization.

Fair value gains on investment properties. Our fair value gains on investment properties increased to RMB108.1 million for 2008 from RMB73.4 million for 2007. Our fair value gains on investment properties in 2008 were primarily attributable to the investment properties in The Mall at Phase I of Yuzhou World Trade Center and Phase I of Yuzhou Jinqiao International.

Finance costs. The finance costs of RMB12.9 million in 2008 primarily represented interest expenses incurred by us which were not directly attributable to land acquisition or construction and therefore could not be capitalized.

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Taxation. Taxation increased by RMB171.2 million to RMB354.1 million for 2008 from RMB182.9 million for 2007, as a result of (i) an increase in corporate income tax of RMB55.6 million and (ii) an increase in provisions for LAT of RMB158.5 million, partially offset by a decrease in deferred tax of RMB42.9 million. Our effective tax rate increased significantly to 49.0% for 2008 from 32.6% for 2007, primarily due to a higher applicable marginal LAT rate for 2008, which in turn was primarily attributable to the higher appreciation rates of the projects sold in 2008. LAT is payable on the appreciation of land value calculated as the proceeds of the sales of properties less deductible expenditures. Please see “— Key Factors Affecting Our Performance — Taxation — LAT” for more details. In the tax reconciliation for the year ended December 31, 2008 presented in the Accountants’ Report in Appendix I to this document, the expenses not deductible for tax mainly represented the costs of construction deemed not tax deductible by the local tax authorities upon the tax audit for the completed projects.

Profit for the period. Profit for the period decreased by RMB8.4 million to RMB369.1 million in 2008 from RMB377.5 million in 2007, as a result of the cumulative effect of the foregoing factors.

2007 compared to 2006

Revenue. Our revenue increased by RMB991.1 million to RMB1,083.7 million in 2007 from RMB92.6 million in 2006, primarily due to an increase of RMB963.2 million in revenue generated from property development to RMB1,050.1 million in 2007 from RMB86.9 million in 2006.

The increase in revenue generated from property development was (i) primarily due to a significant increase of 127,312 sq.m. in GFA delivered by us to 143,439 sq.m. in 2007 from 16,127 sq.m. in 2006 and (ii) to a lesser extent, due to an increase of RMB1,930, or 35.8%, in the average selling price per sq.m. to RMB7,321 in 2007 from RMB5,391 in 2006.

The significant increase in GFA delivered in 2007 was primarily due to the completion and delivery of Phase II of Yuzhou Overseas City and Shuilian Manor during the first quarter of 2007, whereas we did not complete and deliver any new project or project phase in 2006. In 2007, an aggregate GFA of 121,461 sq.m. and revenue of RMB944.7 million were attributable to the sales of units in Phase II of Yuzhou Overseas City and Shuilian Manor, which accounted for 84.7% of the total GFA delivered by us and 90.0% of our total revenue generated from property development in 2007, respectively.

The increase in average selling price per sq.m. in 2007 was (i) primarily due to a significant increase of RMB2,144, or 38.3%, in average selling price per sq.m. for residential properties delivered by us to RMB7,742 in 2007 from RMB5,598 in 2006, reflecting, among other things, a general increase in demand and prices for properties in Xiamen and the innovative design for the units in Shuilian Manor which enjoy higher ceilings and (ii) to a lesser extent, due to an increase in average selling price per sq.m. for car park spaces in 2007, reflecting a general increase in demand and prices for car park spaces in Xiamen, which was partially offset by a decrease in average selling price per sq.m. for retail and commercial properties in 2007. The decrease in the average selling price per sq.m. for retail and commercial properties in 2007 as compared with 2006 primarily reflected, among other

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things, that certain retail and commercial properties in Phase I of Yuzhou Overseas City and Shuilian Manor sold and delivered in 2007 were at basement levels or other less desirable floors compared to the retail and commercial properties sold and delivered in 2006. In 2007, the retail and commercial properties in Yuzhou Overseas City were sold and delivered to our related parties at a negotiated price with reference to the then prevailing market price. Our Directors believe such transactions were entered into in the ordinary course of business. Please see Note 36 to the Accountants’ Report in Appendix I to this document.

The following table sets forth sales information relating to the type of properties we delivered in 2006 and 2007, respectively.

	For the year ended December 31,					
	2006			2007		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)
Residential	37,746	6,743	5,598	787,690	101,749	7,742
Retail and commercial	32,234	3,797	8,489	192,706	25,513	7,553
Car park spaces	16,955	5,587	3,035	69,656	16,177	4,306
Total	<u>86,935</u>	<u>16,127</u>	<u>5,391</u>	<u>1,050,052</u>	<u>143,439</u>	<u>7,321</u>

The following table sets forth, for each project or project phase indicated, the revenue generated from such project or project phase, the percentage of our total revenue it represented, the GFA sold and the average selling price per sq.m. for 2006 and 2007, respectively.

	For the year ended December 31,							
	2006				2007			
Project	Revenue	Percentages of revenue	GFA delivered	Average selling price	Revenue	Percentages of revenue	GFA delivered	Average selling price
	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)
Yuzhou Overseas City - Phase II . . .	—	—	—	—	758,210	72.2%	95,295	7,956
Shuilian Manor	—	—	—	—	186,454	17.8%	26,166	7,126
Yuzhou Harbour City - Phase I	43,222	49.7%	5,955	7,258	50,742	4.8%	10,989	4,618
Yuzhou Overseas City - Phase I	19,706	22.7%	4,794	4,111	45,794	4.4%	9,337	4,905
Yuzhou New City - Phase II	14,830	17.1%	2,529	5,864	4,127	0.4%	827	4,990
Others	<u>9,177</u>	<u>10.5%</u>	<u>2,849</u>	<u>3,221</u>	<u>4,725</u>	<u>0.4%</u>	<u>825</u>	<u>5,727</u>
	<u>86,935</u>	<u>100.0%</u>	<u>16,127</u>	<u>5,391</u>	<u>1,050,052</u>	<u>100.0%</u>	<u>143,439</u>	<u>7,321</u>

Our revenue from property management increased by RMB9.7 million, or 173.2%, to RMB15.3 million in 2007 from RMB5.6 million in 2006, primarily due to the increase in GFA under our management, which partially reflected the increase in cumulative GFA sold and delivered by us.

In 2007, we recognized revenue generated from property investment of RMB18.4 million, primarily comprising rental income from leasing the retail and commercial properties in Phase I of Yuzhou World Trade Center. We purchased 100% of the equity interests in Guifeng Co. from several third parties in February 2007.

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Cost of sales. Cost of sales increased significantly by RMB778.1 million to RMB828.6 million in 2007 from RMB50.5 million in 2006, primarily due to a significant increase of RMB775.0 million in costs we incurred directly for our property development activities, which in turn was (i) primarily due to the increase in the GFA delivered in 2007 and (ii) to a lesser extent, due to an increase in the average costs per sq.m. in 2007. The costs per sq.m. increased by RMB2,664, or 86.3%, to RMB5,750 in 2007 from RMB3,086 in 2006, (i) primarily due to an increase of RMB2,525, or 110.4%, in construction costs per sq.m. to RMB4,812 in 2007 from RMB2,287 in 2006, and (ii) to a lesser extent, due to an increase of RMB12, or 1.6%, in land costs per sq.m. to RMB780 in 2007 from RMB768 in 2006. The increase in construction costs per sq.m. reflected, among other things, (i) the decrease in car park spaces delivered in 2007 as a percentage of the total GFA delivered in 2007 as the construction costs per sq.m. for car park spaces are generally lower than those for residential, retail and commercial properties, (ii) the relatively high construction costs for the units in Yuzhou Overseas City due to certain premium features such as indoor gardens and computerized security systems and for the units in Shuilian Manor due to their high ceiling design, and (iii) the increases in the costs of construction materials, such as steel and cement, and labor. The increase in land costs per sq.m. reflected, among other things, (i) the decrease in car park spaces delivered in 2007 as a percentage of total GFA delivered in 2007 as we did not allocate land costs to car park spaces in Yuzhou Overseas City and Yuzhou Harbour City consistent with relevant PRC regulations, and (ii) the relatively high land costs per sq.m. in respect of Shuilian Manor, which we began to deliver in 2007.

Gross profit. Gross profit increased by RMB213.1 million to RMB255.2 million in 2007 from RMB42.1 million in 2006. Our gross profit margin decreased to 23.5% in 2007 from 45.5% in 2006, primarily due to an increase in residential properties delivered in 2007 as a percentage of the total GFA delivered in 2007. Our profit margin in respect of residential properties was lower than the profit margins for retail and commercial properties and car park spaces.

Other income and gains. Other income and gains increased by RMB319.3 million to RMB329.7 million in 2007 from RMB10.4 million in 2006, primarily due to a one-time gain of RMB319.9 million in 2007 reflecting the difference between the fair value of the assets acquired and the consideration we paid for the entire interest in Guifeng Co. The consideration of approximately RMB258.4 million was arrived at after arm’s length negotiation with the sellers, who were Independent Third Parties, based on normal commercial terms. As Guifeng Co. suffered losses in prior years due to inefficiencies on the part of its then management team, we were able to bargain for a lower price for the acquisition. Part of the consideration amounting to approximately RMB193.4 million was paid by February 7, 2007.

Selling and marketing expenses. Our selling and marketing costs increased by RMB34.0 million to RMB41.4 million in 2007 from RMB7.4 million in 2006, primarily due to (i) an increase of RMB22.2 million in advertising expenses to RMB27.3 million in 2007 from RMB5.1 million in 2006, largely attributable to increased advertising for the newly introduced projects or project phases for pre-sale in 2007, and (ii) an increase of RMB11.5 million in commissions for sales agents to RMB12.3 million in 2007 from RMB0.8 million in 2006, which in turn was primarily attributable to the increase in recognized revenue in 2007.

Administrative expenses. Administrative expenses increased by RMB25.1 million to RMB52.7 million in 2007 from RMB27.6 million in 2006, in part due to (i) an increase in total salaries and

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benefits resulting from increased headcount and average salary and benefits, and (ii) an increase in office and business expenses partially resulting from the expansion of our scale of operations.

Fair value gains on investment properties. Our fair value gains on investment properties increased to RMB73.4 million in 2007 from RMB0.8 million in 2006. Our fair value gains on investment properties in 2007 were primarily attributable to the investment properties in The Mall at Phase I of Yuzhou World Trade Center which we acquired in February 2007.

Finance costs. The finance costs of RMB1.3 million in 2007 primarily represented interest expenses incurred by us which were not directly attributable to land acquisition or construction and therefore could not be capitalized.

Taxation. Taxation increased by RMB178.1 million to RMB182.9 million in 2007 from RMB4.8 million in 2006, as a result of (i) an increase in corporate income tax of RMB77.9 million, primarily reflecting an increase in profit before tax, (ii) an increase in provisions for LAT of RMB39.6 million, and (iii) an increase in deferred tax of RMB60.6 million primarily due to an increase in the tax rate for our fair value gains investment properties attributable to The Mall at Phase I of Yuzhou World Trade Center. In the tax reconciliation for the year ended December 31, 2007 presented in the Accountants’ Report in Appendix I to this document, the income not subject to tax mainly represented the excess over the cost of business combination in respect of the acquisition of Guifeng Co. in 2007, whereas the expenses not deductible for tax mainly represented the costs of construction deemed to be not tax deductible by the local tax authorities upon the tax audit for the completed projects.

Profit for the year. Profit for the year increased by RMB365.6 million to RMB377.5 million in 2007 from RMB11.9 million in 2006, as a result of the cumulative effect of the foregoing factors.

DESCRIPTION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Investment Properties

Investment properties are interests in land and buildings held to earn recurring income and/or for capital appreciation, comprising completed investment properties and investment properties under construction. The values of our completed investment properties were arrived at on the basis of valuations carried out by the Property Valuer, an independent professional property valuer. 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. We have concluded that the fair value of our investment properties under construction cannot be measured reasonably, therefore, in accordance with HKFRS, our investment properties under construction continue to be measured at cost until construction is completed. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had investment properties of RMB307.4 million, RMB1,232.8 million, RMB1,443.6 million and RMB2,415.7 million, respectively. Our completed investment properties as of June 30, 2009 primarily comprised investment properties in The Mall at Phases I and II of Yuzhou World Trade Center, kindergarten at Phase I of Yuzhou Overseas City, Phases I and II of Yuzhou Jinqiao International, and Yuzhou Golden Seacoast.

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Prepaid Land Lease Payments and Prepayments for Acquisition of Land

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Group has entered into a number of contracts to acquire land for property development projects and has made deposits in accordance with the terms of such contracts. These deposits are recorded as prepayments for acquisition of land before the rights to use the land are obtained, and are recorded as prepaid land lease payments after the rights to use the land are obtained but before the commencement of construction of the projects. As of December 31, 2006, construction had commenced for all of the land acquired in or before 2006, and therefore no prepaid land lease payments were recorded because the related prepaid land lease payments had been transferred to properties under development prior to December 31, 2006. As of June 30, 2009, we had prepaid land lease payments of RMB611.7 million in respect of land parcels for Phase III of Oriental Venice, Phase IV of Yuzhou Jinqiao International and a part of Phase II of Yuzhou Huaqiao City.

As of June 30, 2009, we had prepayments for acquisition of land of RMB230.7 million in respect of land parcels for F1 Plaza and a part of Phase II of Yuzhou Huaqiao City. Our prepayments for the land parcel for a part of Phase II of Yuzhou Huaqiao City as of June 30, 2009 were aged over one year because the local government had not fulfilled its obligations such as leveling of land, electricity and water supplies and the construction of pavements from the city to the land under the respective agreements with our Group. We received the land use rights certificate for such land in August 2009.

Properties under Development

Properties under development are stated at the lower of cost and net realizable value. Completed properties remaining unsold are recorded on our combined statements of financial position as completed properties held for sale. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had properties under development of approximately RMB1,909.8 million, RMB3,191.5 million, RMB3,412.1 million and RMB3,046.2 million, respectively.

Land costs comprise the costs of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods. As of December 31, 2006, 2007, 2008 and June 30, 2009, we had land costs of approximately RMB1,451.0 million, RMB2,031.9 million, RMB1,902.5 million and RMB1,645.4 million, respectively.

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Prepayments, Deposits and Other Receivables

Prepayments, deposits other receivables, as detailed below, consist of prepayments, deposits and other receivables and amounts due from minority shareholders of subsidiaries.

	As of December 31,			As of
	2006	2007	2008	June 30,
	(RMB'000)			2009
Prepayments				
Other taxes and surcharges	78,814	136,349	95,102	102,783
Sales commission	20,203	18,733	7,684	13,146
Others	16,946	7,887	13,978	12,981
	<u>115,963</u>	<u>162,969</u>	<u>116,764</u>	<u>128,910</u>
Deposits and other receivables				
Advances to contractors	29,771	78,080	69,236	32,385
Loans to minority shareholders	87,824	124,324	15,527	15,543
Others	17,128	33,439	45,670	73,234
Total	<u>250,686</u>	<u>398,812</u>	<u>247,197</u>	<u>250,072</u>

Prepayments. Prepayments primarily represent certain prepaid business tax and government surcharges and prepaid selling and marketing expenses. The increase in prepayments as of December 31, 2007 as compared to that as of December 31, 2006 was primarily due to the increase in prepaid business tax resulting from the increase in pre-sales of properties. The decreases in prepayments as of June 30, 2009 and December 31, 2008 as compared to December 31, 2007 were primarily due to decreases in prepaid business tax resulting from the delivery of properties.

Deposits and other receivables. Deposits and other receivables primarily represent advances to contractors and loans to minority shareholders. The increase in deposits and other receivables from 2006 to 2007 was partially due to the increase in deposits paid to government authority on behalf of the contractors in advance of constructions, which in turn reflected the increase in the number of property projects commenced by us. The deposits were paid for the purpose of safeguarding the payroll and welfare of the construction workers. The decreases in deposits and other receivables as of June 30, 2009 and December 31, 2008 as compared to those of December 31, 2007 were primarily due to the settlement of loans to minority shareholders, which mainly represented the funds advances to minority shareholders for advanced distribution of profits. The advances were interest-free and repayable on demand and were settled through declaration of dividends to minority shareholders and repayments from the minority shareholders.

Amounts Due from Related Parties

Amounts due from related parties represent non-trade receivables due from related parties that are unsecured, interest free and are payable on demand. The amounts due from related parties during the three years ended December 31, 2008 and the six months ended June 30, 2009 primarily comprised (i) fund advances to our Controlling Shareholders and (ii) fund advances to a related company. All the advances were sourced from our internal resources. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had amounts due from related parties of RMB361.0 million, RMB359.1 million,

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RMB27.3 million and RMB159.6 million, respectively. All such receivables will be settled prior to the completion of the Reorganization.

The following table sets forth, as of the dates indicated, the components of amounts due from related parties.

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

Trade Payables

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had trade payables of RMB677.3 million, RMB688.6 million, RMB807.6 million and RMB832.9 million, respectively.

The following table sets forth, as of the dates indicated, the aging analysis of trade payables.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)			
Due within one year or on demand	524,860	314,793	498,578	513,036
Over one year	<u>152,430</u>	<u>373,834</u>	<u>309,044</u>	<u>319,869</u>
Total	<u>677,290</u>	<u>688,627</u>	<u>807,622</u>	<u>832,905</u>

For the purchases of construction materials and machines such as lifts directly procured by us, we are typically required to pay approximately 20% to 40% of the full purchase price upon the execution of the sales contract and settle the remaining purchase price upon acceptance of delivery if the supplier provides full warranty. We typically retain 2% to 5% of the full purchase price during the warranty period, which is typically two to three years, if the supplier does not provide a full warranty. Contractor's fees are paid by installments according to the progress of construction. An itemized contract is initially drawn up by a contractor based on anticipated work. After the final designs are approved by us, the contractor will audit the deliverables and work together with us to agree on the milestone payment schedule. Our construction contracts generally provide for progressive payments according to milestones reached, until a specified maximum percentage of the total contract sum is paid. We typically withhold 3% of the prices of construction contracts for two years after completion of the construction to apply against any expenses incurred as a result of any construction defects.

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Receipts in Advance

Receipts in advance represent proceeds received from pre-sales of our property developments and consist of payments made at various stages prior to delivery. We recognize such proceeds on our combined statements of financial position as current liabilities. Consistent with industry practice, we typically enter into pre-sale contracts with customers while the properties are still under development and after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. Please see “Business — Project Development — Pre-sale” for more details. We recognize these proceeds as revenue on our combined income statement only when we have completed the construction of the relevant project and have delivered the property to the purchasers. In our experience, it generally takes approximately nine to 24 months for revenue to be recognized from the date of receipt of the pre-sale deposits. As our revenue from sales of properties is recognized upon the delivery of properties, the timing of such delivery may affect the amount and growth rate of our revenue.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our receipts in advance arising from various development projects amounted to approximately RMB2,076.3 million, RMB2,550.4 million, RMB1,816.2 million and RMB2,209.1 million, respectively.

The table below sets forth, for the projects indicated, receipts in advance received from customers as of June 30, 2009.

	As of June 30, 2009 (RMB'000)
Yuzhou Harbour City — Phase II	265
Yuzhou Overseas City — Phase II	2,254
Yuzhou Hai Tian Plaza	28,715
Yuzhou World Trade Center	309,705
Yuzhou Jinqiao International — Phase II	715,218
Yuzhou Jinqiao International — Phase III	226,056
Galaxy Garden	239,515
Yuzhou Golden Seacoast	231,030
Yuzhou Garden — Phase III	483
Yuzhou Yuanbo City	434,740
Shuilian Manor	803
Yuzhou New City — Phase II	945
Oriental Venice	19,205
Other	141
Total	<u>2,209,075</u>

The total amount of receipts in advance as of June 30, 2009 was RMB2,209.1 million, of which RMB507.0 million, all from receipts in advance from the sales of units in Phase II of Yuzhou Jinqiao International, will be recognized in the second half of 2009 and the remaining RMB1,702.1 million will be recognized in 2010.

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The table below sets forth the contracted sales information for the projects and periods indicated.

	For the year ended December 31,								For the three months ended March 31, 2009				For the three months ended June 30, 2009			
	2007				2008											
	Contracted sales (RMB'000)	Units contractually sold	GFA contractually sold (sq.m.)	Average selling price (RMB)	Contracted sales (RMB'000)	Units contractually sold	GFA contractually sold (sq.m.)	Average selling price (RMB)	Contracted sales (RMB'000)	Units contractually sold	GFA contractually sold (sq.m.)	Average selling price (RMB)	Contracted sales (RMB'000)	Units contractually sold	GFA contractually sold (sq.m.)	Average selling price (RMB)
Residential and Office																
Yuzhou World Trade Center Phase I	548,568	526	32,035	17,124	110,970	150	8,089	13,719	80,874	148	8,134	9,943	681	1	70	9,690
Yuzhou World Trade Center Phase II	0	0	0	0	56,852	78	4,357	13,049	64,036	61	5,531	11,577	168,896	162	13,094	12,899
Yuzhou Golden Seacoast	134,263	138	15,978	8,403	262,531	296	33,549	7,825	196,522	307	35,661	5,511	21,815	30	3,477	6,275
Galaxy Garden	110,542	51	6,462	17,107	111,746	84	10,519	10,624	384,826	360	45,673	8,426	84,424	65	8,269	10,210
Yuzhou Yuanbo City	0	0	0	0	44,339	126	10,533	4,209	259,589	743	65,177	3,983	304,943	756	69,779	4,370
Yuzhou Jinqiao International Phase I	321,124	477	23,044	13,935	3,224	4	215	15,021	530	1	42	12,664	1,230	2	96	12,797
Yuzhou Jinqiao International Phase II	127,554	131	6,579	19,389	450,238	460	25,072	17,958	74,709	104	5,683	13,147	75,889	98	5,530	13,722
Yuzhou Jinqiao International Phase III	0	0	0	0	17,543	23	1,187	14,781	51,356	69	3,672	13,987	205,928	284	15,492	13,292
Yuzhou Harbour City Phase II	125,404	71	12,207	10,273	8,225	6	1,226	6,709	0	0	0	0	0	0	0	0
Others⁽¹⁾	263,300	364	41,934	6,279	43,188	69	5,366	8,048	50,563	34	4,434	11,404	7,007	11	948	7,393
Total	<u>1,630,753</u>	<u>1,758</u>	<u>138,238</u>	<u>11,797</u>	<u>1,108,857</u>	<u>1,296</u>	<u>100,112</u>	<u>11,076</u>	<u>1,163,005</u>	<u>1,827</u>	<u>174,005</u>	<u>6,684</u>	<u>870,815</u>	<u>1,409</u>	<u>116,755</u>	<u>7,458</u>

Note:

- (1) Others include retail and car park spaces contractually sold for the projects listed above and residential, retail and car park spaces contractually sold for our other projects.

Following a period of rising property prices and transaction volume in most major cities in China from 2003 to 2007, the property market of China experienced a downturn in 2008 which continued into the first quarter of 2009. In addition, in February 2009, immediately after the Chinese New Year, we increased our marketing activities and efforts and offered price discounts for many of our projects. As a result of the foregoing, the average selling prices and GFA of a majority of our properties contractually sold experienced a decrease in 2008 and the first quarter of 2009 and rebounded in the second quarter of 2009.

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Other Payables and Accruals

The following table sets forth, as of the dates indicated, the components of other payables and accruals.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
		(RMB'000)		
Accruals	1,348	1,146	1,164	3,990
Other payables				
Payables for acquisition of equity interests in				
subsidiaries	17,841	129,033	121,391	87,540
Other tax payables	6,118	33,121	35,379	34,688
Deposits received	1,463	11,372	8,685	11,124
Amount due to minority shareholders of				
subsidiaries	24,911	12,000	12,631	12,631
Others	5,755	49,034	40,988	35,825
Total	<u>57,436</u>	<u>235,706</u>	<u>220,238</u>	<u>185,798</u>

Other payables primarily represent payables for the acquisition of equity interests in subsidiaries, business tax payables, rental deposits and advances from a minority interest in a subsidiary. The increase in other payables as of December 31, 2007 was partially due to the consideration payable for the acquisitions of Guifeng Co., Liyade Co. and Kangli Co. amounting to approximately RMB65.0 million, RMB52.0 million and RMB11.4 million, respectively, as of December 31, 2007. RMB7.0 million of the payables for the acquisition of equity interests in Kangli Co. has been settled up to December 31, 2008. The payables for the acquisition of equity interests in subsidiaries as of June 30, 2009 include consideration payables for the acquisitions of Guifeng Co., Liyade Co. and Kangli Co. of approximately RMB65.0 million, RMB17.5 million and RMB4.4 million, respectively. The decrease in the payable balance with respect to Liyade Co. as of June 30, 2009 as compared with that as of December 31, 2008 was due to a reduction in the consideration by RMB34.5 million as certain conditions in the relevant acquisition agreement could not be fulfilled. RMB16.5 million of the payables for the acquisition of equity interests in Liyade Co. had been settled up to August 31, 2009.

According to the acquisition agreement with respect to Guifeng Co., retention money in the amount of approximately RMB65 million as of June 30, 2009 was withheld by us in connection with certain potential liabilities (if any) including, without limitation, tax in connection with property sales and expenses and compensation arising from or related to late delivery of individual property ownership certificates with respect to certain units. We expect to pay the sellers an amount equal to the excess of the retention money over any liabilities allocatable to sellers after the properties in Yuzhou World Trade Center are sold and delivered and Guifeng Co. has settled the liabilities, which we expect to occur prior to the end of 2011. Outstanding payables for the acquisition of Liyade Co. in the amount of RMB1.0 million as of August 31, 2009 will be payable when the sellers deliver to us certain original tax invoices and receipts related to Liyade Co., which we expect to occur prior to March 31, 2010. Outstanding payables for the acquisition of Kangli Co. in the amount of approximately RMB4.4 million as of August 31, 2009 are payable on demand and we expect to pay such amount to the sellers on the earlier of March 31, 2010 or the date on which the sellers request for such payment.

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Amounts Due to Related Parties

Amounts due to related parties represent non-trade payables due to related parties that are unsecured, interest free and are payable on demand. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had amounts due to related parties of RMB261.5 million, RMB805.8 million, RMB578.5 million and RMB583.8 million, respectively. The sources of funding for Ms. Kwok Ying Lan and her father, Mr. Guo Wengu, to make advances to our Group were from Ms. Kwok’s personal resources. Our PRC legal advisor has advised us that the advances from Ms. Kwok Ying Lan and Mr. Guo Wengu to our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009 were made in compliance with relevant PRC laws and regulations. Save for an amount of RMB355.4 million due to Ms. Kwok Ying Lan as of June 30, 2009 which has been capitalized for the allotment and issue of our shares to the Controlling Shareholders as part of the Reorganization, all other amounts due to related parties will be settled prior to the completion of the Reorganization.

The following table sets forth, as of the dates indicated, the components of amounts due to related parties.

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

Minority interests

During the three years ended December 31, 2008 and the six months ended June 30, 2009, the minority interests recorded on our statements of financial position primarily represented minority interests in Yingfeng Co., Fengzhou Group Co., Hefei Yuzhou Co. and Ludong Co. In 2006 and 2007, we acquired the majority equity interests in Ludong Co. and Yingfeng Co. at percentages ranging from 80% to 95%. Ludong Co. possessed only land use rights at the time of acquisition. Ying Geng Co., through its subsidiaries Dashijie Co., possessed only land use rights and only pre-construction work, such as planning, had been completed at the time of acquisition. The business operations of the acquired companies were not transferred to us because the operating structures and staff of these companies were retained by their original holding companies. Pursuant to HKFRS 3 “Business Combinations”, the aforesaid acquisitions do not constitute a business combination and are accounted for an acquisition of net assets and not a business combination. Therefore, the minority interests arising from these acquisitions are accounted for as minority interests arising from the acquisition of net assets in the Accountants’ Report in Appendix I to this document.

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Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at banks, including term deposits, which are not restricted as to use. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had cash and cash equivalents of RMB167.7 million, RMB138.0 million, RMB196.5 million and RMB456.8 million, respectively. The cash and cash equivalents as of June 30, 2009 increased from those as of December 31, 2008, in part due to an increase in receipts in advance of RMB392.9 million in the six months ended June 30, 2009 and a decrease in properties under development of RMB424.6 million in the six months ended June 30, 2009. These were partially offset by our repayment of bank and other borrowings amounting to RMB756.1 million in the six months ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for land acquisition costs, construction costs and finance costs and to fund working capital and normal recurring expenses. To date we have funded our growth principally from shareholder contributions, internally generated cash flows, including proceeds from the sales and pre-sales of our properties, and bank loans. Going forward, we believe our liquidity requirements will be satisfied using a combination of bank loans, cash provided by operating activities including proceeds from the sales and pre-sales of our properties and other funds raised from the capital markets from time to time.

Financing of Our Projects

During the three years ended December 31, 2008 and the six months ended June 30, 2009 and at present, we finance our projects primarily through shareholder contributions, internally generated cash flows, including proceeds from the pre-sale and sale of our projects, and bank loans. The following summarizes our main sources of financing for our projects:

- **Shareholder contributions.** Historically, we partially used shareholder contributions to fund our project development. Under PRC laws and regulations, shareholders can make capital contributions in the form of registered capital or, in case they are shareholders of a foreign invested company in China, shareholders’ loans to finance part of the funding needs of our project developments. After June 1, 2007, shareholder contributions by way of shareholder loan became restricted by applicable PRC regulations. Our PRC project companies are required to make a capital contribution of at least 35% of the total investment of a project (principally in the form of registered capital) when they apply for loans from banks for the development of the project.
- **Bank loans.** As of August 31, 2009, we had RMB1,273.4 million in bank loans outstanding. All of our bank loans are project specific. Once we start to pre-sell the projects, we gradually repay the bank loans using the pre-sale proceeds received. We are often required to secure our bank loans with properties under development or other assets. For more information on our bank loans, see “— Indebtedness”.
- **Proceeds from the pre-sale and sale of properties.** We conduct the sale of our properties primarily by way of pre-sale. Pre-sale proceeds are the sales proceeds we receive when we

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sell properties prior to their completion. Pre-sale proceeds of one phase of a project or one whole project can be used to fund further construction of the same phase or project. Under PRC law, the following conditions must be fulfilled before the pre-sale of a particular property can commence: (i) the land premium must be paid in full and the land use rights certificates must have been obtained; (ii) the construction works planning permit and the work commencement permit must have been obtained; (iii) the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and (iv) the pre-sale permit must have been obtained. Upon obtaining a pre-sale permit from the relevant government authorities, we enter into sales contracts with our customers. For those purchasers who finance their purchases with mortgage financing, we generally require them to pay a minimum down payment of at least 20% to 30% of the purchase price for residential property at the execution of the pre-sale contract, and receive the remaining purchase price from the bank with which the purchaser has entered into a mortgage agreement typically within six months after the execution of the pre-sale contract. For the purchasers who do not require mortgage financing, we generally require the full purchase price to be paid upon the execution of the sales contract. In addition to proceeds from the pre-sale of properties, we also generate proceeds from the sale of completed properties.

In the future, we expect to use funds from a combination of sources to fund new projects, including bank loans, internally generated cash flow and other funds raised from the capital markets from time to time.

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB'000)			(Unaudited)	
Net cash inflow/(outflow) from operating activities	(308,096)	(924,040)	(106,833)	(23,083)	1,111,993
Net cash outflow from investing activities	(390,615)	(676,008)	(142,966)	(84,217)	(74,416)
Net cash inflow/(outflow) from financing activities	772,831	1,534,915	304,893	139,538	(770,125)
Cash and cash equivalents at the end of the year	167,678	137,967	196,547	173,616	456,847

Cash flows from operating activities

We derive our cash inflow from operating activities principally from the pre-sale and sale of properties and cash from our other operating activities. Our cash outflow from operating activities is principally for investments in properties under development and purchase of land. We had a net cash outflow of RMB308.1 million, RMB924.0 million and RMB106.8 million in 2006, 2007 and 2008,

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respectively, and a net cash inflow of RMB1,112.0 million in the six months ended June 30, 2009. Our property development business experiences net operating cash outflows from time to time, particularly when imbalances occur between the timing of our cash inflows relating to the pre-sale and sale of properties and our cash outflows relating to the construction and development of properties and the purchases of land. Our historical net cash outflows from operating activities were primarily due to increases in properties under development and completed properties held for sale while other developments were being prepared for pre-sale. We expanded our property development business, including acquisition of land and construction of projects, and incurred cash outflows at a more rapid rate than cash return from pre-sale and sale of our projects which were eligible for pre-sale or sale in 2006, 2007 and 2008. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future.

In the six month ended June 30, 2009, we had a net cash inflow from operating activities in the amount of approximately RMB1,112.0 million. This net cash inflow was primarily attributable to (i) cash inflows from operating activities before changes in working capital of RMB587.1 million, (ii) a decrease in properties under development of RMB424.6 million and (iii) an increase in receipts in advance of RMB392.9 million.

In 2008, we had a net cash outflow from operating activities in the amount of approximately RMB106.8 million. This net cash outflow was primarily attributable to (i) a decrease in receipts in advance of RMB734.2 million and (ii) interest paid of RMB156.7 million, partially offset by (i) cash inflows from operating activities before changes in working capital of RMB643.9 million and (ii) a decrease in prepayments, deposits and other receivables of RMB151.6 million.

In 2007, we had a net cash outflow from operating activities in the amount of approximately RMB924.0 million. This net cash outflow was primarily attributable to (i) an increase in properties under development of RMB691.4 million, (ii) an increase in prepayments, deposits and other receivables of RMB136.1 million and (iii) the payment of land lease premium with respect to the lands for Phase III of Oriental Venice, Phase I of Yuzhou Huaqiao City and Phase IV of Yuzhou Jinqiao International of RMB703.9 million, partially offset by (i) an increase in receipts in advance of RMB474.1 million and (ii) cash inflows from operating activities before changes in working capital of RMB177.6 million.

In 2006, we had a net cash outflow from operating activities in the amount of approximately RMB308.1 million. This net cash outflow was primarily attributable to (i) an increase in properties under development of RMB680.1 million, (ii) an increase in completed properties held for sale of RMB790.4 million and (iii) an increase in prepayments, deposits and other receivables of RMB83.9 million, partially offset by an increase in receipts in advance of RMB1,296.3 million.

Cash flows from investing activities

Our investing activities mainly comprise investments in property, plant and equipment, and payments for acquisitions of a subsidiary and minority interests.

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Our net cash outflow from investing activities was RMB390.6 million, RMB676.0 million, RMB143.0 million and RMB74.4 million in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

In the six months ended June 30, 2009, we had a net cash outflow from investing activities in the amount of RMB74.4 million. This net cash outflow was primarily attributable to a RMB40.1 million cash outflow for additions of investment properties and an increase in restricted cash of RMB30.1 million. The increase in restricted cash was primarily attributable to a new bank loan facility agreement entered into by a subsidiary of us with its bank, under which the subsidiary is required to place the pre-sale proceeds of its properties at designated bank accounts, which can only be used for the payment of property development cost incurred by the subsidiary and the repayment of the loan.

In 2008, we had a net cash outflow from investing activities in the amount of RMB143.0 million. This net cash outflow was primarily attributable to a RMB102.7 million cash outflow for additions of investment properties.

In 2007, we had a net cash outflow from investing activities in the amount of RMB676.0 million. This net cash outflow was primarily attributable to (i) a RMB321.2 million cash outflow for the payment for our acquisition of 40% equity interests in Jinguoji Co. in 2007, (ii) a RMB172.9 million cash outflow for additions of investment properties and (iii) a RMB156.9 million cash outflow for the payment for our acquisition of Guifeng Co. in 2007.

In 2006, we had a net cash outflow from investing activities in the amount of RMB390.6 million. This net cash outflow was primarily attributable to (i) a RMB256.4 million cash outflow for additions of investment properties and (ii) a RMB130.3 million cash outflow for the purchase of property, plant and equipment.

Cash flows from financing activities

Our cash inflow from financing activities is mainly generated from bank loans, capital contributions and changes in amounts due from/to related parties. Our cash outflow from financing activities primarily reflects repayments of bank loans and deemed distributions to shareholders.

We had a net cash inflow from financing activities of RMB772.8 million, RMB1,534.9 million and RMB304.9 million in 2006, 2007 and 2008, respectively. We had a net cash outflow from financing activities of RMB770.1 million in the six months ended June 30, 2009.

In the six months ended June 30, 2009, we had net cash outflow from financing activities in the amount of RMB770.1 million. This net cash outflow was primarily attributable to (i) a RMB756.1 million cash outflow for repayment of bank and other borrowings and (ii) an increase in amounts due from related parties of RMB132.3 million, partially offset by a RMB105.0 million cash inflow for new bank and other borrowings.

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In 2008, we had net cash inflow from financing activities in the amount of RMB304.9 million. This net cash inflow was primarily attributable to (i) the proceeds from banking and other loans of RMB960.0 million and (ii) a decrease in amounts due from related parties of RMB331.8 million, partially offset by (i) a cash outflow of RMB638.6 million in respect of repayment of bank and other loans and (ii) a decrease in amounts due to related parties of RMB227.3 million.

In 2007, we had net cash inflow from financing activities in the amount of RMB1,534.9 million. This net cash inflow was primarily due to (i) the proceeds from banking loans of RMB1,490.0 million and (ii) an increase in amounts due to related parties of RMB531.8 million, partially offset by a cash outflow of RMB364.1 million in respect of repayments of bank loans.

In 2006, we had net cash inflow from financing activities in the amount of RMB772.8 million. This net cash inflow was primarily due to (i) the proceeds from bank loans of RMB1,030.0 million and (ii) a decrease in amounts due from related parties of RMB123.0 million, partially offset by (i) a cash outflow of RMB252.8 million in respect of repayments of bank loans and (ii) deemed distributions to shareholders of RMB157.3 million.

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Net Current Assets/Liabilities

We had net current assets of RMB500.2 million, RMB31.2 million and RMB362.4 million as of December 31, 2006, 2007 and 2008, respectively. We had net current liabilities of RMB51.0 million as of June 30, 2009 as compared to net current assets of RMB362.4 million as of December 31, 2008, partially attributable to the reclassification of non-current bank loans to current liabilities which become repayable within one year from June 30, 2009 and increased expenditure for investment properties under construction during the six months ended June 30, 2009. Our net current liabilities increased to RMB365.7 million as of August 31, 2009 as compared to RMB51.0 million as of June 30, 2009, partially attributable to the early repayment of non-current bank loans due to surplus cash and increased expenditure for investment properties under construction. The table below sets forth the breakdown of our net current liabilities as of August 31, 2009.

	As of August 31, 2009 (RMB'000) (Unaudited)
Current assets	
Prepaid land lease payments	327,714
Properties under development	3,141,848
Completed properties held for sale	953,352
Prepayments for acquisition of land	67,800
Prepayments, deposits and other receivables	297,401
Due from related parties	70,791
Prepaid corporate income tax	36,041
Prepaid LAT	18,278
Restricted cash	1,218
Cash and cash equivalents	383,589
	<u>5,298,032</u>
Current liabilities	
Receipts in advance	2,817,448
Trade payables	769,027
Other payables and accruals	171,352
Interest-bearing bank borrowings	823,440
Due to related parties	594,371
Tax payables	183,241
Provision for LAT	304,854
	<u>5,663,733</u>
Net current liabilities	<u>365,701</u>

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Indebtedness

Our borrowings as of December 31, 2006, 2007, 2008, June 30, 2009 and August 31, 2009, respectively, are as follows:

	As of December 31,			As of June 30,	As of August 31,
	2006	2007	2008	2009	2009
			(RMB'000)		(Unaudited)
Current					
Bank loans					
unsecured	—	230,000	69,691	—	—
secured	282,200	714,350	756,862	893,440	823,440
Other loans ⁽¹⁾					
unsecured	—	—	145,000	90,000	—
	<u>282,200</u>	<u>944,350</u>	<u>971,553</u>	<u>983,440</u>	<u>823,440</u>
Non-current					
Bank loans					
unsecured	230,000	—	—	—	—
secured	405,000	1,098,750	1,392,950	730,000	450,000
	<u>635,000</u>	<u>1,098,750</u>	<u>1,392,950</u>	<u>730,000</u>	<u>450,000</u>
Total	<u>917,200</u>	<u>2,043,100</u>	<u>2,364,503</u>	<u>1,713,440</u>	<u>1,273,440</u>

Note:

- (1) Represented entrusted loans obtained from Zongheng Group through a financial institution. Our PRC legal advisor is of the opinion that the entrusted loans are in compliance with all applicable PRC regulations.

The outstanding bank and other borrowings as at 31 December 2006, 2007, 2008, as at June 30, 2009 and as at August 31, 2009 bore a weighted average annual interest of 6.3%, 7.6%, 7.9%, 6.5% and 6.6% respectively. As of August 31, 2009, a substantial part of our borrowings were secured by properties of our Group and guaranteed by Group companies. As of December 31, 2006, 2007 and 2008, June 30, 2009 and August 31, 2009, our assets under pledge to secure bank borrowings by the Group were RMB716.6 million, RMB2,036.5 million, RMB1,828.1 million, RMB2,389.5 million and RMB2,166.6 million, respectively. As of December 31, 2006, 2007 and 2008, June 30, 2009 and August 31, 2009, our bank loans guaranteed by our Group companies amounted to RMB430.0 million, RMB700.0 million, RMB1,000.0 million, RMB865.0 million and RMB865.0 million, respectively. A former minority shareholder of one of our subsidiaries provided a personal guarantee for our bank loans in the amount of RMB90 million as of December 31, 2007. The guarantee executed by this former minority shareholder was not in proportion to her shareholding interest in that subsidiary. The bank loan was repaid in April 2008.

As of August 31, 2009, we had aggregate bank facilities of RMB5,085.0 million, of which RMB1,273.4 million was utilized and RMB3,811.6 million remained unutilized.

All of our bank loans are project specific loans and their repayment schedules are consistent with the pre-sale schedules of our projects. According to the repayment schedules set out in the relevant loan contracts, we are only required to gradually repay the outstanding amount of such loans after the scheduled commencement of pre-sales of the relevant property, i.e. through the additional

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cash flow generated from the projects. Substantially all of our outstanding bank loans do not contain material covenants on our ability to undertake additional debt or equity financing or pay dividends. As of the Latest Practicable Date, we had not defaulted on any debt service obligations and were not aware of any existing circumstance which may render us unable to service such indebtedness.

The maturity of our bank and other borrowings as of the dates indicated are as follows:

	As of December 31,			As of June 30,	As of August 31,
	2006	2007	2008	2009	2009
	(RMB'000)				(Unaudited)
Bank loans repayable:					
Within one year or on demand	282,200	944,350	826,553	893,440	823,440
After one year but within two years	560,000	728,750	1,167,950	700,000	450,000
After two years but within five years	75,000	370,000	225,000	30,000	—
Sub-total	917,200	2,043,100	2,219,503	1,623,440	1,273,440
Other loans repayable: ⁽¹⁾					
Within one year or on demand	—	—	145,000	90,000	—
Sub-total	—	—	145,000	90,000	—
Total	917,200	2,043,100	2,364,503	1,713,440	1,273,440

Note:

(1) Represented entrusted loans obtained from Zongheng Group through a financial institution.

Contractual commitments and obligations

As of June 30, 2009, our contractual commitments in connection with our property development activities amounted to RMB938.5 million, primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)			
Contracted, but not provided for:				
Investment properties under construction and properties under development	949,109	1,905,949	1,235,825	738,365
Acquisition of land use rights	154,088	161,588	60,000	200,110
Total	1,103,197	2,067,537	1,295,825	938,475

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In addition, under various agreements we were obligated to make future cash payments in fixed amounts. The following table summarizes such contractual obligations by maturity, including interest payments, calculated using contractual rates or, if floating, based on rates as of June 30, 2009.

	As of June 30, 2009			
	Payment Due by Period			
	Less than 1 year	1-2 Years	3-5 Years	Total
	(RMB'000)			
Bank and other borrowings	1,064,484	719,560	31,034	1,815,078
Trade payables	513,036	319,869	—	832,905
Other payables	185,798	—	—	185,798
Due to related parties	583,767	—	—	583,767
Total	<u>2,347,085</u>	<u>1,039,429</u>	<u>31,034</u>	<u>3,417,548</u>

Contingent liabilities

As of June 30, 2009 and August 31, 2009, we provided guarantees of approximately RMB2,220.2 million and RMB2,470.4 million, respectively, to PRC banks in respect of the mortgage loans provided by the banks to purchasers of our developed properties. Our guarantees are issued from the dates of grant of the relevant mortgage loans and released upon the earlier of (i) the issuance of property ownership certificates, which are generally available within one to two years after the purchasers take possession of the relevant properties and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers.

Warranty against construction defects in properties

We provide warranties to purchasers of our properties with terms varying from one to five years against certain construction defects as stipulated under PRC laws and regulations. There were no expenses incurred by us in connection with the provision of warranties during the three years ended December 31, 2008 and the six months ended June 30, 2009 because we received corresponding warranties from the relevant contractors who have constructed the relevant properties.

Legal contingencies

In the normal course of business, we are involved in lawsuits and other proceedings. Please see “Risk Factors — Risks Relating to Our Business — We provide guarantees over mortgage loans given by banks to purchasers of our properties which may materially and adversely affect our results of operations and financial condition if we are required to honor the guarantees.” While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our financial position, liquidity, or operating results.

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Off-balance sheet arrangements

Except for the contingent liabilities set forth above, as of June 30, 2009 and the Latest Practicable Date, we did not have any off-balance sheet arrangements with unconsolidated entities.

Financial resources and working capital

As of June 30 and August 31, 2009, we had aggregate cash and cash equivalents of RMB456.8 million and RMB383.6 million, respectively. As of June 30, 2009 and August 31, 2009, we had undrawn credit facilities granted by PRC banks in an aggregate amount of RMB3,531.6 million and RMB3,811.6 million, respectively. Once we start to pre-sell the projects, we are required to repay these loans gradually according to the schedules set out in the relevant loan agreements. The utilization of such undrawn facilities will enable us to obtain additional cash to finance part of the construction costs of our projects. This will have a positive impact on our cash flow. We intend to use pre-sale proceeds from the relevant projects to service any indebtedness under such project-specific facilities after their utilization.

We receive cash inflows from pre-sales of our properties and project-specific bank loans. We are permitted to pre-sell our properties under development when we obtain the relevant pre-sale permits. In accordance with our development plan, we have: (i) two projects comprising Oriental Venice and Yuzhou Yuanbo City for which we have commenced pre-sales in 2008 and continued pre-sales in 2009; (ii) two projects comprising Yuzhou Gu Shan No. One and Yuzhou Huaqiao City that we expect will be available for pre-sale in the second half of 2009; and (iii) one project comprising Yuzhou Diyuan Manor that we expect will be available for pre-sale in 2010, in each case subject to market conditions and construction progress.

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The following table sets forth certain information in relation to the expected pre-sale schedule and total saleable GFA of such projects as August 31, 2009, in each case subject to market condition, construction progress and other factors which may be outside our control.

<u>Project</u>	As of August 31, 2009		
	<u>Pre-sale Commencement Date</u>	<u>Total Saleable GFA</u> (sq.m.)	<u>Total Saleable GFA Unsold</u> (sq.m.)
Projects under development			
Yuzhou Jinqiao International			
Phase I	Q1 2007	33,911	10,589
Phase II	Q3 2007	56,628	13,825
Phase III	Q4 2008	71,162	40,678
Phase IV	Q2 2010	69,803	69,803
Yuzhou World Trade Center			
Phase I	Q2 2007	119,192	52,181
Phase II	Q2 2008	64,180	37,479
Yuzhou Golden Seacoast			
Phase I	Q3 2007	115,977	27,433
Phase II	Q3 2009	117,374	100,917
Yuzhou Yuanbo City			
Phase I	Q4 2008	458,609	297,216
Oriental Venice			
Phase I	Q4 2008	73,397	16,931
Phase II	Q3 2008	60,899	55,963
Phase III	Q1 2011	220,558	220,558
Yuzhou Huaqiao City			
Phase I	Q3 2009	175,360	175,360
Phase II	Q2 2010	968,900	968,900
Yuzhou Gu Shan No. One	Q4 2009	83,224	83,224
Yuzhou Diyuanyuan Manor	Q2 2010	176,525	176,525

Please see “Business — Description of Our Property Developments” where we set forth the details of these projects. In addition to cash inflows from pre-sales, we typically obtain project-specific bank loans once we receive the work commencement permits for our projects or project phases, using the relevant land use rights and properties as security. We may also in the future access the international capital markets and raise additional funds through debt or equity offerings. Furthermore, in the event of an unexpected need for liquidity, we could market our investment properties and properties under development for sale.

We expect that a significant factor negatively affecting our working capital for the 12 months following the date of this document to be our contractual commitments in connection with our property development activities. As of June 30, 2009, our commitments for construction expenditure was approximately RMB738.4 million and commitments for acquisition of land use rights was approximately RMB200.1 million. Please see “— Contractual commitments and obligations” for more details. We expect to fund our working capital for the 12 months following the date of this document with the following sources of funding:

- cash inflows from pre-sale and sale of our properties in accordance with our sales plan;
- proceeds from project-specific bank loans and facilities;

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- cash and cash equivalents on hand; and
- proceeds from our property investment.

Based on the above, our Directors are satisfied that we have sufficient working capital to meet our present requirements and for at least 12 months from the date of this document because we expect to receive sufficient cash inflows from the pre-sales of our properties and project-specific bank loans. We are permitted to pre-sell our properties under development when we obtain the relevant pre-sale permits. We have a number of projects that we expect will be available for pre-sale in 2010 in accordance with our development plan. In addition to obtaining cash inflows from pre-sales, we obtain project-specific bank loans to finance the development of our projects. Given the cash inflows from our operating and financing activities, our Directors are satisfied that we have sufficient capital to meet our needs for at least 12 months from the date of this document.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Interest rate

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. On October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits, respectively, with effect from October 29, 2004. This increase was the first time lending and deposit interest rates had been raised since July 1995 and July 1993, respectively. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. On April 28 and August 19, 2006, the PBOC raised its benchmark one-year interest rates by 0.27%, to 5.85% and 6.12%, respectively. On March 18, May 19, July 21, August 22, September 15 and December 21, 2007, respectively, the PBOC further increased these rates to 6.39%, 6.57%, 6.84%, 7.02%, 7.29% and 7.47%, respectively. The lending rates for various other terms were also raised accordingly. Each of these increases had a negative influence on the property market in China and therefore on our operations. On September 16, October 9, October 30, November 27, and December 25, 2008, respectively, the PBOC lowered the benchmark one-year lending rate to 7.20%, 6.93%, 6.66%, 5.58% and 5.31%, respectively. We do not currently use any derivative instruments to manage our interest rate risks.

Foreign exchange

We conduct our business primarily in Renminbi. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC Government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi

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would adversely affect the value of any dividends we pay to our Shareholders, if any, outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. Please see “Risk Factors — Risks Relating to Business Operations in the PRC — We are subject to risks presented by fluctuations in foreign currencies” for more details.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China’s overall national inflation rate, as represented by the general consumer price index, was approximately 1.5% in 2006, 4.8% in 2007 and 5.9% in 2008. We cannot make any assurance that we will not be adversely affected by inflation or deflation in China in the future.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by our Property Valuer, as of August 31, 2009, were approximately RMB16.0 billion. Please see Appendix V to this document for further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by our Property Valuer.

Disclosure of the reconciliation between the valuation of the interests in properties attributable to us and such property interests in our combined statements of financial position as of June 30, 2009 as required under Rule 5.07 of Listing Rules is set forth below.

	(RMB’000)
Net book value of the Group’s properties as of June 30, 2009	
Property, plant and equipment ⁽¹⁾	154,097
Investment properties	2,415,698
Properties under development	3,046,185
Completed properties held for sale	951,574
Prepaid land lease payments	611,675
Movement for the period from July 1, 2009 to August 31, 2009 (unaudited)	
Additions	389,517
Amortization of prepaid land lease payments	(858)
Depreciation	(12)
Net book value of the Group’s properties as of August 31, 2009 subject to valuation as set out in the Property Valuation in Appendix V to this document (unaudited)	7,567,876
Valuation surplus, before corporate income tax, LAT and minority interests (unaudited)	9,769,641
Valuation of the Group’s properties as of August 31, 2009	17,337,517
Attributable to the Group	15,974,957
Attributable to minority interests	1,362,560

Note:

- (1) The net book value of property, plant and equipment amounted to an aggregate of approximately RMB166.1 million as of June 30, 2009. However, the net book value of property, plant and equipment (other than construction in progress and buildings) which amounted to approximately RMB12.0 million was excluded from the Property Valuation in Appendix V to this document and was therefore also excluded from this reconciliation.

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PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Profit Forecast for the Year Ending December 31, 2009

The Directors believe that, on the basis and assumptions set out in “Profit Forecast” in Appendix III to our document and in the absence of unforeseen circumstances, our forecast combined profit attributable to shareholders of the Company for the year ending December 31, 2009 after fair value gains on investment properties, net of deferred tax effect is unlikely to be less than RMB1,072.4 million (HK\$1,217.4 million). The profit forecast has been prepared by the Directors based on (i) the audited combined results of the Group for the six months ended June 30, 2009, (ii) the unaudited combined results of the Group for the two months ended August 31, 2009 and (iii) our forecast of the combined results of the Group for the remaining four months ending December 31, 2009 on the basis that the current Group structure had been in existence throughout the whole financial year ending December 31, 2009.

Substantially all of our forecast revenue for the four months ending December 31, 2009 is attributable to sale of properties in Phase II of Yuzhou Jinqiao International. The construction of Phase II of Yuzhou Jinqiao International was completed in May 2009 and we began delivering properties in such project phase in the second half of 2009. All properties in such project phase delivered or to be delivered during the four months ending December 31, 2009 were delivered or are expected to be delivered pursuant to sale agreements executed on or prior to June 30, 2009.

<u>Forecast</u>	<u>RMB (in millions)</u>
Combined profit attributable to our equity holders (before fair value gains on investment properties (net of deferred tax effect))	373.3
Fair value gains on investment properties	932.1
Provision for deferred tax liabilities	233.0
Fair value gains on investment properties (net of deferred tax effect)	699.1
Combined profit attributable to our equity holders after fair value gains on investment properties, net of deferred tax effect	1,072.4

Bases and Assumptions on Forecast Fair Value Gains on Investment Properties

The forecast profit, after forecast fair value gains on our investment properties (net of deferred tax effect) of RMB699.1 million, is RMB1,072.4 million. Such fair value gains on our investment properties have been estimated on the basis of projected valuations at December 31, 2009 estimated by the Directors according to a basis of valuation which is, as far as practicable, consistent with the basis of valuation which has been adopted by our Property Valuer in valuing our properties for the purposes of our audited combined financial information for the six-month period ended June 30, 2009 and the Property Valuation in Appendix V to this document. The investment properties were valued by our Property Valuer as of August 31, 2009.

In valuing our investment properties, the Directors have used the investment method by capitalizing the current rent passing derived from the existing tenancies with due provisions for reversionary income potential, or where appropriate, the direct comparison method by making reference to comparable sales evidence as available in the relevant market.

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Accordingly, we have forecasted the fair value of our investment properties as of December 31, 2009 to be RMB2,035.3 million. We expect that the fair value of our investment properties as of December 31, 2009, and in turn any fair value gains on investment properties, will continue to be dependent on market conditions and other factors that are beyond our control, and are based on the valuation performed by an independent professional property valuer of which fair value gains are forecast, involves the use of assumptions that are, by their nature, subjective and uncertain.

Material assumptions we have adopted include:

- 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 our Group operates.
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- 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.

Such specific assumptions are consistent with the approach undertaken by our Property Valuer in Appendix V to this document.

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as of December 31, 2009, and our Property Valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate. The bases and assumptions on which our profit forecast has been arrived are set out in the Profit Forecast in Appendix III to this document.

Fair Value Gains on Investment Properties by Projects

The forecast profit of RMB1,072.4 million for the year ending December 31, 2009 includes the forecast fair value gains on our investment properties. The forecast fair value gains on our investment properties, net of deferred tax effect, for the year ending December 31, 2009 is RMB699.1 million. No cash inflow will be generated from any such fair value gains.

	For the six-month period ended June 30, 2009	For the year ending December 31, 2009
	(RMB'000)	
The Mall at Phase I of Yuzhou World Trade Center	109,500	109,500
The Mall at Phase II of Yuzhou World Trade Center	441,047	441,047
Phase II of Yuzhou Jinqiao International	41,016	41,016
Yuzhou Golden Seacoast	107,508	107,508
Change in fair value recognized during the year/period	<u>699,071</u>	<u>699,071</u>

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Sensitivity Analysis

The following table illustrates the sensitivity of the forecast net profit attributable to equity holders of our Company to levels of revaluation increase/(decrease) on investment properties (net of deferred tax effect) for the year ending December 31, 2009:

Changes in valuation of investment properties compared to the estimated revaluation increase/(decrease) on investment properties of RMB2,035.3 million	5%	10%	15%	(5)%	(10)%	(15)%
Impact on the forecast combined profit attributable to equity holders of our Company (RMB'000)	76,324	152,647	228,971	(76,324)	(152,647)	(228,971)

If the estimated fair value of investment properties rises/declines by 5%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,148.7 million/RMB996.1 million, respectively, i.e. 7.1% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of investment properties rises/declines by 10%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,225.1 million/RMB919.8 million, respectively, i.e. 14.2% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of investment properties rises/declines by 15%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,301.4 million/RMB843.4 million, respectively, i.e. 21.4% higher/lower, respectively, than the targeted forecast profit.

DIVIDENDS

Subject to the Companies Law, we, through a general meeting, may declare final dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution 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 Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall 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. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

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In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which the Board may deem relevant.

Future dividend payments will 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 and the generally accepted accounting principles in the U.S. PRC laws also require foreign investment enterprises to set aside 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 in accordance with 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 Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our shareholders’ approval.

Considering our financial position, our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our shareholders approximately 30% of any distributable profit (excluding net fair value gains or losses on investment properties) for the financial year ending December 31, 2009. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Company did not distribute any dividends to our shareholders.

As of June 30, 2009, our reserves available for distribution to the equity holders of our Company amounted to approximately RMB1,795.0 million.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial or trading condition in the last 12 months. We confirm that there has not been any material adverse change in our financial or trading position since June 30, 2009 (being the date as of which our

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

FINANCIAL INFORMATION

latest audited combined information was prepared as set out in the Accountants’ Report in Appendix I to this document).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

FUTURE PLANS

FUTURE PLANS

We aim to continue to grow and expand our Company as one of the leading Fujian-based property developers and expand into the southeastern region of China.

We continuously work to identify and evaluate potential sites for new projects and assess land parcels for use in potential projects. We intend to leverage our strong brand name and extensive experience to continue developing high-quality properties in our chosen markets in China. We also intend to continue to expand into the hotel, retail and office property sectors in the PRC in order to achieve a more balanced revenue profile. We propose to adhere to our business model, including as described in the section headed “Business — Our Strategies,” in pursuing our future plans.

By adopting our future plans and the proposed strategies as described in the section headed “Business — Our Strategies,” we believe that we will be able to further strengthen our “Yuzhou” brand as well as maximize profitability and returns to our Shareholders. Please see “Business — Our Strategies” and “Business — Description of Our Property Developments” for detailed descriptions of our future plans.

APPENDIX I

ACCOUNTANTS’ REPORT



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

[date]

The Directors
Yuzhou Properties Company Limited
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Yuzhou Properties Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2006, 2007 and 2008 and the six-month period ended June 30, 2009 (the “Relevant Periods”) and the six-month period ended June 30, 2008 (the “June 30, 2008 Financial Information”), prepared on the basis set out in note 2 of Section II below.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 23, 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) as detailed in note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Company’s interests in its subsidiaries as at the date of this report are set out in note 1 of Section II below. The Group principally engages in property development and property investment and management in Mainland China.

Except for Kim International Realty and Development Company Limited which has adopted March 31 as its financial year end date for the financial years ended March 31, 2006 and 2007, all companies now comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as it has not been involved in any significant business transactions since incorporation other than the Reorganisation. The statutory accounts or management accounts of the subsidiaries were prepared in accordance with the relevant accounting principles applicable to these companies in their respective jurisdictions. Details of their statutory auditors during the Relevant Periods were set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the combined management accounts (the “HKFRS Combined Management Accounts”) of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The combined income statements, the combined statements of comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for the Relevant Periods and the combined statements of financial position of the Group as at

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December 31, 2006, 2007 and 2008 and June 30, 2009, together with the notes thereto, have been prepared based on the HKFRS Combined Management Accounts and in accordance with the basis set out in note 2 of section II below.

The directors of the Company are responsible for the preparation of the Financial Information which gives, for the purpose of this report, a true and fair view, and for the contents of the document in which this report is included. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are prudent and reasonable, and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our audit, on the Financial Information and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures as are necessary in accordance with applicable auditing guidelines issued by the HKICPA. No adjustments were considered necessary to adjust the HKFRS Combined Management Accounts of the Group for the Relevant Periods to conform to the Financial Information.

Procedures performed in respect of the June 30, 2008 Financial Information

For the purpose of this report, we have also performed a review of the June 30, 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the June 30, 2008 Financial Information.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information, prepared on the basis set out in note 2 of Section II below, gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and of the combined results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the June 30, 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the June 30, 2008 Financial Information does not give a true and fair view of the combined results and cash flows of the Group for the six-month period ended June 30, 2008.

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ACCOUNTANTS’ REPORT

I. FINANCIAL INFORMATION

(A) COMBINED INCOME STATEMENTS

	Notes	Year ended December 31,			Six-month period ended June 30,	
		2006 RMB’000	2007 RMB’000	2008 RMB’000	2008 RMB’000 (Unaudited)	2009 RMB’000
REVENUE	6	92,570	1,083,729	1,759,803	1,612,805	1,308,261
Cost of sales		(50,465)	(828,563)	(1,010,236)	(940,009)	(675,720)
Gross profit		42,105	255,166	749,567	672,796	632,541
Other income and gains	6	10,398	329,699	6,499	1,945	2,514
Selling and marketing expenses		(7,401)	(41,382)	(42,398)	(27,006)	(24,630)
Administrative expenses		(27,632)	(52,699)	(61,396)	(36,830)	(27,936)
Other expenses		(1,593)	(2,480)	(24,357)	(4,512)	(2,344)
Fair value gains on investment properties ..	15	840	73,396	108,088	47,910	932,094
Finance costs	8	—	(1,299)	(12,854)	(7,750)	(514)
PROFIT BEFORE TAX	7	16,717	560,401	723,149	646,553	1,511,725
Tax	11	(4,783)	(182,886)	(354,053)	(313,731)	(537,332)
PROFIT FOR THE YEAR/PERIOD		<u>11,934</u>	<u>377,515</u>	<u>369,096</u>	<u>332,822</u>	<u>974,393</u>
Attributable to:						
Equity holders of the Company		8,160	376,898	292,178	273,670	977,053
Minority interests		3,774	617	76,918	59,152	(2,660)
		<u>11,934</u>	<u>377,515</u>	<u>369,096</u>	<u>332,822</u>	<u>974,393</u>
Earnings per share attributable to equity holders of the Company	13	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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ACCOUNTANTS’ REPORT

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six-month period ended June 30,	
	2006 RMB’000	2007 RMB’000	2008 RMB’000	2008 RMB’000 (Unaudited)	2009 RMB’000
PROFIT FOR THE YEAR/PERIOD	11,934	377,515	369,096	332,822	974,393
Exchange difference on translation of foreign operations	(5,042)	35,397	3,486	3,411	(7,152)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	<u>6,892</u>	<u>412,912</u>	<u>372,582</u>	<u>336,233</u>	<u>967,241</u>
Attributable to:					
Equity holders of the Company	2,247	410,076	295,101	275,130	972,862
Minority interests	<u>4,645</u>	<u>2,836</u>	<u>77,481</u>	<u>61,103</u>	<u>(5,621)</u>
	<u>6,892</u>	<u>412,912</u>	<u>372,582</u>	<u>336,233</u>	<u>967,241</u>

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ACCOUNTANTS’ REPORT

(C) COMBINED STATEMENTS OF FINANCIAL POSITION

		At December 31,			At June 30,
		2006	2007	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	134,884	151,830	165,297	166,122
Investment properties	15	307,432	1,232,762	1,443,551	2,415,698
Prepaid land lease payments	16	—	596,124	586,930	548,583
Deferred tax assets	27	647	7,958	36,843	67,869
Total non-current assets		442,963	1,988,674	2,232,621	3,198,272
CURRENT ASSETS					
Prepaid land lease payments	16	—	102,257	63,549	63,092
Properties under development	17	1,909,847	3,191,481	3,412,056	3,046,185
Completed properties held for sale	18	988,152	959,465	836,423	951,574
Prepayments for acquisition of land		149,474	155,666	194,843	230,733
Prepayments, deposits and other receivables	19	250,686	398,812	247,197	250,072
Due from related parties	20	360,988	359,068	27,294	159,557
Prepaid corporate income tax		31,232	53,489	42,040	38,699
Prepaid land appreciation tax		—	—	12,717	16,334
Restricted cash	21	2,127	4,881	8,178	38,247
Cash and cash equivalents	21	167,678	137,967	196,547	456,847
Total current assets		3,860,184	5,363,086	5,040,844	5,251,340
CURRENT LIABILITIES					
Receipts in advance	22	2,076,278	2,550,387	1,816,212	2,209,075
Trade payables	23	677,290	688,627	807,622	832,905
Other payables and accruals	24	57,436	235,706	220,238	185,798
Interest-bearing bank and other borrowings	25	282,200	944,350	971,553	983,440
Due to related parties	20	261,545	805,792	578,506	583,767
Tax payable		5,222	76,849	101,300	196,071
Provision for land appreciation tax	26	—	30,131	182,964	311,307
Total current liabilities		3,359,971	5,331,842	4,678,395	5,302,363
NET CURRENT ASSETS/(LIABILITIES)		500,213	31,244	362,449	(51,023)
TOTAL ASSETS LESS CURRENT LIABILITIES		943,176	2,019,918	2,595,070	3,147,249
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	25	635,000	1,098,750	1,392,950	730,000
Deferred tax liabilities	27	210	142,353	188,880	436,768
Total non-current liabilities		635,210	1,241,103	1,581,830	1,166,768
Net assets		307,966	778,815	1,013,240	1,980,481
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	28	—	—	1	1
Reserves	29	262,045	671,321	879,095	1,851,957
		262,045	671,321	879,096	1,851,958
Minority interests		45,921	107,494	134,144	128,523
Total equity		307,966	778,815	1,013,240	1,980,481

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ACCOUNTANTS' REPORT

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company										
Note	Issued capital	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total	Minority interests	Total equity	
	RMB'000 (Note 28)	RMB'000 (Note 29(c))	RMB'000 (Note 29(b))	RMB'000 (Note 29(e))	RMB'000 (Note 29(e))	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2006	—	19,526	224,127	4,204	—	164,241	412,098	51,876	463,974	
Total comprehensive income for the year	—	—	—	(5,913)	—	8,160	2,247	4,645	6,892	
Capital contribution from the then equity owners	—	—	5,000	—	—	—	5,000	—	5,000	
Deemed distribution to the then equity owners	—	—	(157,300)	—	—	—	(157,300)	—	(157,300)	
Transfer from retained profits	—	13,977	—	—	—	(13,977)	—	—	—	
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(12,910)	(12,910)	
Acquisition of minority interests	—	—	—	—	—	—	—	(2,478)	(2,478)	
Minority interests arising from acquisition of net assets	—	—	—	—	—	—	—	4,788	4,788	
At December 31, 2006 and January 1, 2007	—	33,503*	71,827*	(1,709)*	—	158,424*	262,045	45,921	307,966	
Total comprehensive income for the year	—	—	—	33,178	—	376,898	410,076	2,836	412,912	
Deemed distribution to the then equity owners	—	—	(800)	—	—	—	(800)	—	(800)	
Transfer from retained profits	—	268	—	—	—	(268)	—	—	—	
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(23,873)	(23,873)	
Acquisition of minority interests	—	—	—	—	—	—	—	(21,218)	(21,218)	
Minority interests arising from acquisition of net assets	—	—	—	—	—	—	—	103,828	103,828	
At December 31, 2007 and January 1, 2008	—	33,771*	71,027*	31,469*	—	535,054*	671,321	107,494	778,815	
Total comprehensive income for the year	—	—	—	2,923	—	292,178	295,101	77,481	372,582	
Issue of share on incorporation	1	—	—	—	—	—	1	—	1	
Deemed distribution to the then equity owners	—	—	(71,000)	—	—	—	(71,000)	—	(71,000)	
Capital contribution from the then equity owners	—	—	1	—	—	—	1	—	1	
Transfer from retained profits	—	9,256	—	—	—	(9,256)	—	—	—	
Acquisition of minority interests	—	—	—	—	(16,328)	—	(16,328)	(831)	(17,159)	
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(50,000)	(50,000)	
At December 31, 2008	1	43,027*	28*	34,392*	(16,328)*	817,976*	879,096	134,144	1,013,240	

APPENDIX I

ACCOUNTANTS' REPORT

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to equity holders of the Company							Minority interests	Total equity
		Issued capital	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total		
		RMB'000 (Note 28)	RMB'000 (Note 29(c))	RMB'000 (Note 29(b))	RMB'000	RMB'000 (Note 29(e))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2009		1	43,027	28	34,392	(16,328)	817,976	879,096	134,144	1,013,240
Total comprehensive income for the period ...		—	—	—	(4,191)	—	977,053	972,862	(5,621)	967,241
At June 30, 2009		1	43,027*	28*	30,201*	(16,328)*	1,795,029*	1,851,958	128,523	1,980,481
(Unaudited)										
At January 1, 2008		—	33,771	71,027	31,469	—	535,054	671,321	107,494	778,815
Total comprehensive income for the period ...		—	—	—	1,460	—	273,670	275,130	61,103	336,233
Issue of share on incorporation		1	—	—	—	—	—	1	—	1
Deemed distribution to the then equity owners	29(d)	—	—	(71,000)	—	—	—	(71,000)	—	(71,000)
Capital contribution from the then equity owners		—	—	1	—	—	—	1	—	1
Acquisition of minority interests		—	—	—	—	(16,328)	—	(16,328)	(831)	(17,159)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	(50,000)	(50,000)
At June 30, 2008		1	33,771	28	32,929	(16,328)	808,724	859,125	117,766	976,891

* These reserve accounts comprise the combined reserves of RMB262,045,000, RMB671,321,000, RMB879,096,000 and RMB1,851,957,000 in the combined statements of financial position as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

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ACCOUNTANTS’ REPORT

(E) COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		16,717	560,401	723,149	646,553	1,511,725
Adjustments for:						
Finance costs	8	—	1,299	12,854	7,750	514
Bank interest income	6	(1,135)	(2,179)	(1,254)	(685)	(827)
Depreciation	7	2,001	5,857	6,342	1,964	3,469
Amortisation of prepaid land lease payments	7	—	5,522	10,890	5,845	4,334
Fair value gains on investment properties	15	(840)	(73,396)	(108,088)	(47,910)	(932,094)
Loss on disposal of property, plant and equipment	7	916	—	—	—	—
Excess over the cost of a business combination	6	—	(319,882)	—	—	—
		17,659	177,622	643,893	613,517	587,121
Payment of land lease premiums		—	(703,903)	(64,006)	—	—
(Increase)/decrease in properties under development		(680,089)	(691,353)	24,327	(389,808)	424,606
(Increase)/decrease in completed properties held for sale		(790,383)	31,634	123,042	707,194	(115,151)
Increase in prepayments for acquisition of land		(66,974)	(6,192)	(39,177)	(40,132)	(35,890)
(Increase)/decrease in prepayments, deposits and other receivables		(83,909)	(136,062)	151,615	185,810	(2,875)
Increase/(decrease) in receipts in advance		1,296,323	474,109	(734,175)	(967,858)	392,863
Increase/(decrease) in trade payables		81,225	5,601	118,995	78,815	25,283
Increase/(decrease) in amounts due to related parties		—	12,479	—	—	(7,940)
(Decrease)/increase in other payables and accruals		(3,191)	55,411	(15,468)	(56,800)	30
Cash (used in)/generated from operations		(229,339)	(780,654)	209,046	130,738	1,268,047
Interest received		1,135	2,179	1,254	685	827
Interest paid		(27,729)	(87,752)	(156,738)	(80,971)	(59,249)
PRC corporate income tax paid		(49,868)	(46,072)	(100,153)	(50,560)	(23,496)
PRC land appreciation tax paid		(2,295)	(11,741)	(60,242)	(22,975)	(74,136)
Net cash inflow/(outflow) from operating activities		(308,096)	(924,040)	(106,833)	(23,083)	1,111,993
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of a subsidiary	30	—	(156,934)	—	—	—
Acquisition of minority interests		(2,478)	(321,218)	(17,159)	(17,159)	—
Purchases of items of property, plant and equipment		(130,300)	(22,168)	(19,809)	(13,323)	(4,294)
Additions of investment properties		(256,424)	(172,934)	(102,701)	(54,391)	(40,053)
Decrease/(increase) in restricted cash		(1,413)	(2,754)	(3,297)	656	(30,069)
Net cash outflow from investing activities		(390,615)	(676,008)	(142,966)	(84,217)	(74,416)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank and other borrowings		1,030,000	1,490,000	960,000	425,000	105,000
Repayment of bank and other borrowings		(252,800)	(364,100)	(638,597)	(309,930)	(756,063)
Proceeds from issuances of shares		—	—	1	1	—
(Increase)/decrease in amounts due from related parties		122,997	(98,080)	331,774	322,717	(132,263)
Increase/(decrease) in amounts due to related parties		37,844	531,768	(227,286)	(177,251)	13,201
Capital contribution from the then equity owners		5,000	—	1	1	—
Deemed distribution to the then equity owners		(157,300)	(800)	(71,000)	(71,000)	—
Dividends paid to minority shareholders		(12,910)	(23,873)	(50,000)	(50,000)	—
Net cash inflow/(outflow) from financing activities		772,831	1,534,915	304,893	139,538	(770,125)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		98,580	167,678	137,967	137,967	196,547
Effect of foreign exchange rate changes, net		(5,022)	35,422	3,486	3,411	(7,152)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		167,678	137,967	196,547	173,616	456,847
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	21	167,678	137,967	196,547	173,616	456,847

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II. NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on April 23, 2008 with limited liability. The Company and its subsidiaries (collectively referred to as the “Group”) principally engage in property development, property investment and property management in Xiamen, Shanghai, Fuzhou and Hefei, the People’s Republic of China (the “PRC”) (collectively the “Relevant Businesses”).

Pursuant to a special resolution dated June 2, 2008, the name of the Company was changed from Yuzhou International Holdings Company Limited to Yuzhou Properties Company Limited.

Prior to the incorporation of the Company, the Relevant Businesses were carried out by the subsidiaries now comprising the Group (the “Relevant Companies”) which are owned either by Ms. Ye Biyun, Mr. Lin Longzhi or Mr. Lin Conghui on behalf of Mr. Lam Lung On (“Mr. Lam”) and Ms. Kwok Ying Lan (“Ms. Kwok”), the spouse of Mr. Lam, (collectively the “Founders”) or directly by one of the Founders. Ms. Ye Biyun is the mother of Ms. Kwok. Mr. Lin Longzhi and Mr. Lin Conghui is the brother and brother-in-law of Mr. Lam, respectively, and the directors of the Company.

In order to rationalise the current corporate structure of the Group, the following principal steps were undertaken to transfer the interests in the Relevant Companies to the Company (the “Reorganisation”):

- (a) On January 5, 2005, Fung Chow Co. entered into an equity transfer agreement with Hong Kong Yuzhou Investment Co., Ltd. to acquire a 100% equity interest in Dynasty International (1993) Pte Ltd at a consideration of SG\$2,400,000.
- (b) On April 10, 2006, Fung Chow Co. entered into an equity transfer agreement with each of Ms. Kwok and Mr. Lin Conghui to acquire a 90% and 10% equity interest in Xiamen Ganyi Real-Estate Co., Ltd. at a consideration of RMB4,500,000 and RMB500,000, respectively.
- (c) On June 29, 2006, Fung Chow Co. entered into an equity transfer agreement with Hong Kong Yuzhou Investment Co., Ltd. to acquire a 90% equity interest in Anhui Overseas City Construction & Development Co., Ltd. (“Anhui Huaqiaocheng Co.”) at a consideration of US\$2,700,000.
- (d) On August 25, 2006, Xiamen Yuzhou Group Ltd. (“Yuzhou Co.”) entered into an equity transfer agreement with each of Ms. Kwok and Mr. Lin Longzhi to acquire a 55% and 45% equity interest in Shanghai Kangtai Real Estate Development Co., Ltd. at a consideration of RMB16,500,000 and RMB13,500,000, respectively.
- (e) On May 21, 2007, Yuzhou Group (H.K.) Company Limited and Mr. Lin Longzhi entered into an equity transfer agreement by which Yuzhou Group (H.K.) Company Limited acquired a 7.41% equity interest in Xiamen Yaozhou Real Estate Development Company from Mr. Lin Longzhi at a consideration of HK\$824,000.
- (f) On January 3, 2008, Yuzhou Co. and Ms. Ye Biyun entered into an equity transfer agreement by which Yuzhou Co. acquired a 42.37% equity interest in Xiamen Yuzhou Real Estate Development Co., Ltd. from Ms. Ye Biyun at a consideration of RMB10,000,000.
- (g) On January 3, 2008, Yuzhou Co. and Mr. Lin Conghui entered into an equity transfer agreement by which Yuzhou Co. acquired a 6.67% equity interest in Xiamen Huaqiao City Real Estate Management Service Co., Ltd. from Mr. Lin Conghui at a consideration of RMB200,000.

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- (h) On January 27, 2008, Xiamen Ganyi Real-Estate Co., Ltd. entered into equity transfer agreements with Ms. Ye Biyun and Mr. Lin Conghui by which Xiamen Gangyi Real-Estate Co., Ltd. acquired a 95% equity interest in Xiamen Gangyi Communications Co., Ltd. from Ms. Ye Biyun at a consideration of RMB4,750,000, and a 5% equity interest in Xiamen Gangyi Communications Co., Ltd. from Mr. Lin Conghui at a consideration of RMB250,000.
- (i) On January 3, 2008, Xiamen Ganyi Real-Estate Co., Ltd. and Xiamen Yaozhou Management Company Limited (“Yaozhou Management Co.”), which is 95% owned by Ms. Ye Biyun and 5% owned by Mr. Lin Conghui, entered into an equity transfer agreement by which Xiamen Ganyi Real-Estate Co., Ltd. disposed of a 100% equity interest in Xiamen Zongheng Group Property Development Co., Ltd. to Yaozhou Management Co. at a consideration of RMB5,000,000.
- (j) On January 7, 2008, Xiamen Richville Development Limited (“Guifeng Co.”) and Mr. Lin Longzhi entered into an equity transfer agreement by which Guifeng Co. acquired a 5.02% equity interest in Yuzhou Co. from Mr. Lin Longzhi at a consideration of RMB2,800,000. On the same date, Xiamen Kim International Realty Development Co., Ltd. and Mr. Lin Conghui entered into an equity transfer agreement by which Xiamen Kim International Realty Development Co., Ltd. acquired a 5.02% equity interest in Yuzhou Co. from Mr. Lin Conghui at a consideration of RMB2,800,000. On the same date, Xiamen Ganyi Real-Estate Co., Ltd. and Ms. Ye Biyun entered into an equity transfer agreement by which Xiamen Ganyi Real-Estate Co., Ltd. acquired a 89.96% equity interest in Yuzhou Co. from Ms. Ye Biyun at a consideration of RMB50,200,000.
- (k) Pursuant to a share transfer agreement dated January 24, 2008, the entire 99.96% equity interest in Xiamen Zongheng Group Co., Ltd. (“Zongheng Group”) were transferred from Xiamen Gangyi Communications Co., Ltd., a wholly-owned subsidiary of the Company, to Xiamen Ganyi Capital Company Limited, which is 95% owned by Ms. Ye Biyun and 5% owned by Mr. Lin Conghui, at a consideration of approximately RMB168,224,000. Zongheng Group and its subsidiaries are principally engaged in the telecom business (the “Non-Relevant Business”), which is dissimilar to the Relevant Business of the Group.
- (l) Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam and Ms. Kwok as shareholders of Hongkong Xingzhou Investment Company Limited (“Xingzhou Co.”) agreed to transfer, in aggregate, their entire interests in Xingzhou Co., being 6,000 shares representing 60% shareholding interest, to Yuzhou International Holdings Company Limited (“BVI Co.”) in consideration of the sum of HK\$2.00. The transfer was completed on October 9, 2009.
- (m) Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam and Ms. Kwok as shareholders of Yuzhou Group (H.K.) Company Limited (“Hong Kong Yuzhou Group”) agreed to transfer, in aggregate, their entire interests in Hong Kong Yuzhou Group, being 100% shareholding interest, to BVI Co. in consideration of the sum of HK\$2.00. The transfer was completed on October 9, 2009.
- (n) Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam and Ms. Kwok as shareholders of Fung Chow Co. agreed to transfer, in aggregate, their entire interests in Fung Chow Co., being 100% shareholding interest, to BVI Co. in consideration of the sum of HK\$406,162,968.00. The transfer was completed on October 9, 2009.

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As at the date of this report, the Company is owned as to 50% by Mr. Lam and as to 50% by Ms. Kwok.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and operations	Nominal value of paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yuzhou International Holdings Company Limited	British Virgin Islands April 23, 2008	US\$100	100%	—	Investment holding
Hongkong Xingzhou Investment Company Limited (香港星洲投資有限公司)	Hong Kong April 19, 2004	HK\$10,000	—	60%	Investment holding
Yuzhou Group (H.K.) Company Limited (禹洲集團(香港)有限公司)	Hong Kong March 8, 2005	HK\$10,000	—	100%	Investment holding
Hong Kong Fung Chow Investment Limited (香港豐洲投資有限公司)	Hong Kong November 29, 2000	HK\$10,000	—	100%	Investment holding
Dynasty International (1993) Pte Ltd (新加坡國際帝元私營有限公司)	Singapore January 14, 1994	SG\$2,400,000	—	100%	Investment holding
Kim International Realty And Development Company Limited (菲律賓國際地產發展有限公司)	Hong Kong August 27, 1992	HK\$39,500,000	—	100%	Investment holding
Fung Chow Holdings Limited (豐洲集團有限公司)	Hong Kong December 14, 2001	HK\$100,000	—	60%	Investment holding
Gangli Decoration Design Engineering Limited (港麗裝飾設計工程有限公司)	Hong Kong August 30, 2007	HK\$1	—	100%	Property agency services
Goastal Greenland Development (Fujian) Limited** (沿海綠色家園發展(福建)有限公司)	The PRC January 11, 1991	US\$10,000,000	—	60%	Property development
Xiamen Yaozhou Real Estate Development Company* (廈門堯洲房地產開發有限公司) ...	The PRC March 27, 1998	RMB10,800,000	—	100%	Property development
Xiamen Gangyi Real Estate Marketing Agent Co., Ltd.* (廈門港誼房產營銷代理有限公司)	The PRC July 4, 2007	HK\$5,000,000	—	100%	Marketing
Xiamen Yuzhou Commercial Investment & Management Co., Ltd.** (廈門禹洲商業投資管理有限公司)	The PRC April 18, 2007	HK\$5,000,000	—	100%	Property management
Xiamen Diyuan Bonded Storage and Distribution Co., Ltd.*** (廈門帝元保稅儲運有限公司)	The PRC November 17, 1994	RMB20,000,000	—	98%	Property development
Xiamen Kim International Realty Development Co., Ltd. (“Jinguoji Co.”)** (廈門金國際地產發展有限公司)	The PRC July 13, 1994	US\$9,950,000	—	100%	Property development
Xiamen Richville Development Ltd.** (廈門貴豐房地產開發有限公司)	The PRC November 19, 1992	US\$5,000,000	—	100%	Property development
Xiamen Ganyi Real-Estate Co., Ltd.** (廈門港誼置業有限公司)	The PRC April 8, 2005	RMB5,000,000	—	100%	Property development

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<u>Company name</u>	<u>Place and date of incorporation/ registration and operations</u>	<u>Nominal value of paid-up capital</u>	<u>Percentage of equity attributable to the Company</u>		<u>Principal activities</u>
			<u>Direct</u>	<u>Indirect</u>	
Xiamen Fengxhou Real-Estate Co., Ltd.** (廈門豐洲置業有限公司)	The PRC October 10, 2000	HK\$18,000,000	—	60%	Property development
Xiamen Yuzhou Hotel Invest & Manage Co., Ltd.*** (廈門禹洲酒店投資管理有限公司)	The PRC May 24, 2006	RMB50,000,000	—	100%	Hotel operation
Xiamen Yuzhou Group Realty Invest Co., Ltd.*** (廈門禹洲集團地產投資有限公司)	The PRC June 20, 2006	RMB20,000,000	—	100%	Property development
Xiamen Skyplaz Realty & Development Co., Ltd.*** (廈門海天房地產開發有限公司)	The PRC June 16, 1993	US\$6,600,000	—	100%	Property development
Hefei Yuzhou Real Estate Development Co., Ltd.** (合肥禹洲房地產開發有限公司)	The PRC August 1, 2006	US\$7,677,345	—	100%	Property development
Xiamen Huaqiao City Real Estate Co., Ltd.** (廈門華僑城房地產開發有限公司)	The PRC September 6, 1999	RMB20,000,000	—	100%	Property development
Anhui Overseas City Construction & Development Co., Ltd.** (安徽華僑城建設發展有限公司)	The PRC March 31, 2004	US\$3,000,000	—	100%	Property investment
Xiamen Yuzhou Group Ltd.* (廈門禹洲集團股份有限公司)	The PRC December 8, 1994	RMB55,800,000	—	100%	Property investment
Shanghai Kangtai Real Estate Development Co., Ltd.* (上海康泰房地產開發有限公司)	The PRC January 18, 1993	RMB30,000,000	—	100%	Property development
Shanghai Kangtai Property Management Co., Ltd.* (上海康泰物業管理有限公司)	The PRC July 10, 2007	RMB1,000,000	—	100%	Property management
Shanghai Yuejiang Realty Co., Ltd.* (上海悅江置業有限公司)	The PRC March 21, 2005	RMB48,000,000	—	100%	Property development
Shanghai Yanhai Real Estate Development Co., Ltd.* (上海燕海房地產開發經營有限責任公司)	The PRC December 25, 1992	RMB48,450,000	—	100%	Property development
Shanghai Liyade Property Investment Co., Ltd.* (上海利雅得投資置業有限公司)	The PRC February 12, 2004	RMB10,000,000	—	100%	Property development
Shanghai Yuzhou Hotel Management Co., Ltd.* (上海禹洲酒店管理有限公司)	The PRC March 7, 2007	RMB2,000,000	—	100%	Hotel management
Xiamen Huaqiao City Real Estate Management Service Co., Ltd.* (廈門華僑城物業經營服務有限公司)	The PRC May 22, 1997	RMB3,000,000	—	100%	Property management
Xiamen Yuzhou Property Development Co., Ltd.* (廈門禹洲房地產開發有限公司)	The PRC February 25, 1999	RMB23,600,000	—	100%	Property development
Xiamen Gangyi Communications Co., Ltd.** (廈門港誼通訊有限公司)	The PRC August 31, 2006	RMB5,000,000	—	100%	Investment holding
Fujian Yingfeng Real Estate Investment Co., Ltd.* (福建盈峰地產投資有限公司)	The PRC December 5, 2001	RMB50,000,000	—	80%	Property investment
Fujian Big World Huaxia Real Estate Development Co., Ltd.* (福建大世界華夏房地產有限公司)	The PRC January 28, 1999	RMB40,000,000	—	80%	Property development
Fujian Wanlong Property Management Co., Ltd.* (福建萬龍物業管理服務有限公司)	The PRC April 15, 2004	RMB5,000,000	—	80%	Property management
Hefei Ludong Real Estate Development Co., Ltd.* (合肥廬東房地產開發有限責任公司)	The PRC January 16, 2006	RMB80,000,000	—	100%	Property development
Hefei Kangli Realty Co., Ltd.* (合肥市康麗置業有限公司)	The PRC December 27, 2005	RMB10,080,000	—	100%	Property development

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The financial statements of the following subsidiaries of the Company for each of the three years ended 31 March/December 2006, 2007 and 2008 or since their respective dates of establishment, whichever is shorter, were audited by certified public accountants either registered in the PRC or Hong Kong, as shown below:

<u>Company name</u>	<u>Financial period</u>	<u>Auditors</u>
Subsidiaries		
Hong Kong Fung Chow Investment Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Hongkong Xingzhou Investment Company Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Yuzhou Group (H.K.) Company Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Fung Chow Holdings Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Kim International Realty And Development Company Limited	Years ended March 31, 2006 and 2007	Allen Kong & Co.
	Period ended December 31, 2008	Franco Lee & Co.
Dynasty International (1993) Pte Ltd	Years ended December 31, 2006, 2007 and 2008	Law Piang Woon & Co.
Gangli Decoration Design Engineering Limited	Period ended December 31, 2008	Franco Lee & Co.
Xiamen Gangyi Communications Co., Ltd. (Note 3)#	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Group Ltd.#	Year ended December 31, 2006	Xiamen Huacheng Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Property Development Co., Ltd. (Note 1)#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yaozhou Real Estate Development Company#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Huaqiao City Real Estate Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Fengxhou Real-Estate Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Huacheng Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Skyplaz Realty & Development Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.

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Company name#	Financial period	Auditors
Xiamen Di Yuan Bonded Storage and Distribution Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Kim International Realty Development Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Ganyi Real-Estate Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Huacheng Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Commercial Investment & Management Co., Ltd.#	Period ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Richville Development Ltd.#	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Huaqiao City Real Estate Management Service Co., Ltd.#	Years ended December 31, 2006 and 2007	Xiamen Xuchu Registered Tax Agents Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Group Realty Invest Co., Ltd.#	Period ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Hotel Invest & Manage Co., Ltd.#	Period ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Ganyi Real Estate Marketing Agent Co., Ltd.#	Period ended December 31, 2007	Xiamen Xinchang Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Goastal Greenland Development (Fujian) Limited#	Years ended December 31, 2006 and 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.

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Company name	Financial period	Auditors
Fujian Yingfeng Real Estate Investment Co., Ltd.#	Year ended December 31, 2006	Fujian Guolong Certified Public Accountants Limited
	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.
Fujian Big World Huaxia Real Estate Development Co., Ltd.#	Year ended December 31, 2006	Fujian Tianhe Certified Public Accountants
	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.
Fujian Wanlong Property Management Co., Ltd.#	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.
Fujian Oriental Venice Leisure Development Co., Ltd. (Note 2)#	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
Anhui Overseas City Construction & Development Co., Ltd.#	Year ended December 31, 2006	Min Sheng (Hefei) CPA
	Years ended December 31, 2007 and 2008	Anhui Hezhonglihua Certified Public Accountants
Hefei Yuzhou Real Estate Development Co., Ltd.#	Period ended December 31, 2006 and years ended December 31, 2007 and 2008	Anhui Dacheng Certified Public Accountants
Hefei Kangli Realty Co., Ltd.#	Years ended December 31, 2007 and 2008	Anhui Jiahua Certified Public Accountants
Hefei Ludong Real Estate Development Co., Ltd.#	Year ended December 31, 2007	Anhui All Nations Wealth Accountant Office Co., Ltd.
	Year ended December 31, 2008	Anhui Jiahua Certified Public Accountants
Shanghai Kangtai Real Estate Development Co., Ltd.#	Year ended December 31, 2006	Shanghai GuangDa Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Yuejiang Realty Co., Ltd.#	Year ended December 31, 2006	Shanghai GuangDa Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Yanhai Real Estate Development Co., Ltd.#	Period ended December 31, 2006	Shanghai GuangDa Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Liyade Property Investment Co., Ltd.#	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Kangtai Property Management Co., Ltd.#	Period ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Yuzhou Hotel Management Co., Ltd.#	Period ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership

* Registered as limited liability companies under the PRC Law.

** Registered as wholly-foreign owned entities under the PRC Law.

*** Registered as Sino-foreign joint ventures under the PRC Law.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they do not register any official English names.

Note 1: No statutory financial statements were issued in respect of the year ended December 31, 2007.

Note 2: The company was deregistered during the year ended December 31, 2008.

Note 3: No statutory financial statements were issued in respect of the period ended December 31, 2006 and year ended December 31, 2007.

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2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Since the Company and the Relevant Companies were and are ultimately controlled by the Founders both before and after the completion of the Reorganisation, the Reorganisation is considered as a business combination under common control and is accounted for using the principles of merger accounting.

The combined income statements, the combined statements of comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition, incorporation or establishment, whichever is shorter, as further explained in note 3. The combined statements of financial position of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence and in accordance with the respective equity interest and/or the power to exercise control over the individual companies attributable to the Founders as at the respective dates.

As detailed in note 1(k) above, the Group disposed of the Non-Relevant Business pursuant to a share transfer agreement dated January 24, 2008. The Financial Information excludes the operating results and financial position of the Non-Relevant Business as the Non-Relevant Business was engaged in business dissimilar to the Relevant Business and was and will be operated autonomously both before and after the Reorganisation.

As at 30 June 2009, the current liabilities of the Group exceeded its current assets by approximately RMB51,023,000. Taking into account the existing banking facilities available to the Group and the cash flows of the operation of the Group, the directors of the Company consider that the Group will have sufficient financial resources to finance its operation in the foreseeable future and have prepared the Financial Information on a going concern basis notwithstanding the net current liability position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. It has been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after January 1, 2006, January 1, 2007, January 1, 2008 and January 1, 2009. For the purpose of preparing and presenting the Financial Information, the Group has early adopted the new and revised HKFRSs throughout the Relevant Periods.

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The Group has not applied the following new and revised HKFRSs which are applicable to the Group, that have been issued but are not yet effective, in the Financial Information:

HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ¹

1 Effective for annual periods beginning on or after July 1, 2009

2 Effective for transfers of assets from customers received on or after July 1, 2009

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after July 1, 2009 and no transitional provisions for amendments to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after January 1, 2010 although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

The significant accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform with HKFRSs and accounting principles generally accepted in Hong Kong, are set out below:

Basis of combination

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items 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

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existing book values. No amount is recognised in respect of goodwill or excess of acquirers’ interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. The combined income statements include 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 common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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. Under the purchase method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All significant intra-group transactions and balances have been eliminated on combination.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company’s income statement to the extent of dividends received and receivable. The Company’s interests in subsidiaries are stated at cost less any impairment losses.

Excess over the cost of business combinations

Any excess of the Group’s interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair

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value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is a member of the key management personnel of the Group;
- (c) the party is a close member of the family of any individual referred to in (a) or (b); or
- (d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected

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to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of lease terms and 20 years
Leasehold improvements	Over the shorter of lease terms and 5 years
Furniture, fixtures and office equipment	2 to 5 years
Motor vehicles	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

Property under construction or development for future use as an investment property is classified as investment property under construction. 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. The Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably, therefore, the Group’s investment properties under construction continue to be measured at cost until construction is completed.

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Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value 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 the prevailing market conditions.

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Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that is significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, markets economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank and other borrowings)

Financial liabilities including trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable

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transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in “finance costs” in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are

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reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured;
- (b) from the rendering of services, when the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the Financial Information of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their income statements are translated into RMB at the weighted average exchange rates for the Relevant Periods. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the combined cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each reporting date.

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Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square meter sold during the year multiplied by the average cost per square meter of that particular phase of the project.

PRC corporate income tax (“CIT”)

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax (“LAT”)

The Group is subject to LAT in the PRC. The provision of LAT is based on management’s best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management

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ACCOUNTANTS’ REPORT

judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of investment properties

Investment properties are revalued at the reporting date on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the reporting date are used.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;
- (c) the property management segment engages in the provision of management services to properties;
- (d) the hotel operation segment engages in the development and operation of hotels; and
- (e) the others segment comprises corporate income and expense items.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

The Group’s revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

During the Relevant Periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group’s total revenue.

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Year ended December 31, 2006

	Property development RMB’000	Property investment RMB’000	Property management RMB’000	Hotel operation RMB’000	Others RMB’000	Eliminations RMB’000	Total RMB’000
Segment revenue:							
Sales to external customers	86,935	—	5,635	—	—	—	92,570
Other revenue	7,180	—	72	—	2,011	—	9,263
Total	94,115	—	5,707	—	2,011	—	101,833
Segment results	12,372	840	795	—	1,575	—	15,582
Interest income							1,135
Finance costs							—
Profit before tax							16,717
Tax							(4,783)
Profit for the year							11,934
Assets and liabilities							
Segment assets	4,336,909	307,432	3,255	124,502	1,297,443	(2,329,066)	3,740,475
Unallocated assets:							
Deferred tax assets							647
Due from related parties							360,988
Prepaid corporate income tax							31,232
Restricted cash							2,127
Cash and cash equivalents							167,678
Total assets							4,303,147
Segment liabilities	3,413,453	—	5,270	74,532	1,261,522	(1,943,773)	2,811,004
Unallocated liabilities:							
Interest-bearing bank and other borrowings							917,200
Due to related parties							261,545
Tax payable							5,222
Deferred tax liabilities ...							210
Total liabilities							3,995,181
Other segment information:							
Depreciation and amortisation	1,793	—	26	—	182	—	2,001
Capital expenditure	5,827	256,424	31	124,442	—	—	386,724
Fair value gains on investment properties	—	840	—	—	—	—	840

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Year ended December 31, 2007

	Property development RMB’000	Property investment RMB’000	Property management RMB’000	Hotel operation RMB’000	Others RMB’000	Eliminations RMB’000	Total RMB’000
Segment revenue:							
Sales to external customers	1,050,052	18,407	15,270	—	—	—	1,083,729
Other revenue	3,770	1,896	65	—	1,907	—	7,638
Total	<u>1,053,822</u>	<u>20,303</u>	<u>15,335</u>	<u>—</u>	<u>1,907</u>	<u>—</u>	<u>1,091,367</u>
Segment results	<u>156,844</u>	<u>397,457</u>	<u>3,797</u>	<u>(68)</u>	<u>1,491</u>	<u>—</u>	<u>559,521</u>
Interest income							2,179
Finance costs							(1,299)
Profit before tax							560,401
Tax							(182,886)
Profit for the year							<u>377,515</u>
Assets and liabilities							
Segment assets	5,392,716	1,654,698	13,377	137,955	1,393,580	(1,803,929)	6,788,397
Unallocated assets:							
Deferred tax assets							7,958
Due from related parties							359,068
Prepaid corporate income tax							53,489
Restricted cash							4,881
Cash and cash equivalents							<u>137,967</u>
Total assets							<u>7,351,760</u>
Segment liabilities	3,866,295	130,880	12,082	86,990	590,352	(1,211,879)	3,474,720
Unallocated liabilities:							
Interest-bearing bank and other borrowings							2,043,100
Due to related parties							805,792
Tax payable							76,849
Provision for land appreciation tax							30,131
Deferred tax liabilities							<u>142,353</u>
Total liabilities							<u>6,572,945</u>
Other segment information:							
Depreciation and amortisation	10,791	387	31	—	170	—	11,379
Capital expenditure	240,814	647,106	59	11,026	—	—	899,005
Fair value gains on investment properties	—	73,396	—	—	—	—	73,396
Excess over the cost of a business combination	<u>—</u>	<u>319,882</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>319,882</u>

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Year ended December 31, 2008

	Property development RMB’000	Property investment RMB’000	Property management RMB’000	Hotel operation RMB’000	Others RMB’000	Eliminations RMB’000	Total RMB’000
Segment revenue:							
Sales to external customers	1,716,479	21,560	21,764	—	—	—	1,759,803
Other revenue	3,613	24	7	—	1,601	—	5,245
Total	<u>1,720,092</u>	<u>21,584</u>	<u>21,771</u>	<u>—</u>	<u>1,601</u>	<u>—</u>	<u>1,765,048</u>
Segment results	<u>632,936</u>	<u>111,081</u>	<u>4,384</u>	<u>(14)</u>	<u>(13,638)</u>	<u>—</u>	<u>734,749</u>
Interest income							1,254
Finance costs							(12,854)
Profit before tax							723,149
Tax							(354,053)
Profit for the year							<u>369,096</u>
Assets and liabilities							
Segment assets	5,134,233	2,109,620	17,319	150,502	2,024,265	(2,486,093)	6,949,846
Unallocated assets:							
Deferred tax assets							36,843
Due from related parties							27,294
Prepaid corporate income tax							42,040
Prepaid land appreciation tax							12,717
Restricted cash							8,178
Cash and cash equivalents							<u>196,547</u>
Total assets							<u>7,273,465</u>
Segment liabilities	3,064,164	216,501	16,732	98,880	1,104,295	(1,656,500)	2,844,072
Unallocated liabilities:							
Interest-bearing bank and other borrowings							2,364,503
Due to related parties ...							578,506
Tax payable							101,300
Provision for land appreciation tax							182,964
Deferred tax liabilities ...							<u>188,880</u>
Total liabilities							<u>6,260,225</u>
Other segment information:							
Depreciation and amortisation	16,951	45	66	—	170	—	17,232
Capital expenditure	70,327	103,304	225	12,354	306	—	186,516
Fair value gains on investment properties ...	<u>—</u>	<u>108,088</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>108,088</u>

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Six-month period ended June 30, 2008 (Unaudited)

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue:							
Sales to external customers . . .	1,592,520	9,990	10,295	—	—	—	1,612,805
Other revenue	988	143	127	2	—	—	1,260
Total	<u>1,593,508</u>	<u>10,133</u>	<u>10,422</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>1,614,065</u>
Segment results	<u>610,565</u>	<u>44,677</u>	<u>2,401</u>	<u>(5)</u>	<u>(4,020)</u>	<u>—</u>	<u>653,618</u>
Interest income							685
Finance costs							(7,750)
Profit before tax							646,553
Tax							(313,731)
Profit for the year							<u>332,822</u>
Assets and liabilities							
Segment assets	4,759,874	2,158,362	13,908	150,256	2,040,596	(2,585,718)	6,537,278
Unallocated assets:							
Deferred tax assets							41,912
Due from related parties							36,351
Prepaid corporate income tax							17,840
Prepaid land appreciation tax							12,905
Restricted cash							4,225
Cash and cash equivalents							<u>173,616</u>
Total assets							<u>6,824,127</u>
Segment liabilities	2,711,888	242,121	14,298	98,380	1,064,601	(1,571,202)	2,560,086
Unallocated liabilities:							
Interest-bearing bank and other borrowings							2,158,170
Due to related parties							628,541
Tax payable							120,519
Provision for land appreciation tax							210,329
Deferred tax liabilities							<u>169,591</u>
Total liabilities							<u>5,847,236</u>
Other segment information:							
Depreciation and amortisation . . .	7,775	14	20	—	—	—	7,809
Capital expenditure	914	54,722	71	12,007	—	—	67,714
Fair value gains on investment properties	<u>—</u>	<u>47,910</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,910</u>

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ACCOUNTANTS' REPORT

Six-month period ended June 30, 2009

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers . . .	1,285,343	11,704	11,214	—	—	—	1,308,261
Other revenue	1,307	258	3	1	118	—	1,687
Total	<u>1,286,650</u>	<u>11,962</u>	<u>11,217</u>	<u>1</u>	<u>118</u>	<u>—</u>	<u>1,309,948</u>
Segment results	<u>572,672</u>	<u>939,646</u>	<u>1,187</u>	<u>(2)</u>	<u>(2,091)</u>	<u>—</u>	<u>1,511,412</u>
Interest income							827
Finance costs							(514)
Profit before tax							1,511,725
Tax							(537,332)
Profit for the year							<u>974,393</u>
Assets and liabilities							
Segment assets	4,912,696	3,180,918	17,371	153,195	2,129,780	(2,721,901)	7,672,059
Unallocated assets:							
Deferred tax assets							67,869
Due from related parties							159,557
Prepaid corporate income tax							38,699
Prepaid land appreciation tax							16,334
Restricted cash							38,247
Cash and cash equivalents							<u>456,847</u>
Total assets							<u>8,449,612</u>
Segment liabilities	3,170,597	403,514	19,527	101,380	1,407,675	(1,874,915)	3,227,778
Unallocated liabilities:							
Interest-bearing bank and other borrowings							1,713,440
Due to related parties							583,767
Tax payable							196,071
Provision for land appreciation tax							311,307
Deferred tax liabilities							<u>436,768</u>
Total liabilities							<u>6,469,131</u>
Other segment information:							
Depreciation and amortisation . . .	7,673	14	19	1	96	—	7,803
Capital expenditure	1,513	40,058	96	2,680	—	—	44,347
Fair value gains on investment properties	<u>—</u>	<u>932,094</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>932,094</u>

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6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group’s turnover, represents the gross proceeds, net of business tax, from the sale of properties; gross rental income, net of business tax, received and receivable from investment properties and property management fee income, net of business tax, received and receivable during the Relevant Periods.

An analysis of the Group’s revenue, other income and gains is as follows:

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Revenue					
Sales of properties	86,935	1,050,052	1,716,479	1,592,520	1,285,343
Rental income	—	18,407	21,560	9,990	11,704
Property management fees	5,635	15,270	21,764	10,295	11,214
	<u>92,570</u>	<u>1,083,729</u>	<u>1,759,803</u>	<u>1,612,805</u>	<u>1,308,261</u>
Other income and gains					
Bank interest income	1,135	2,179	1,254	685	827
Rental income from properties held for sale	6,038	4,855	2,198	607	908
Excess over the cost of a business combination (note 30)	—	319,882	—	—	—
Others	3,225	2,783	3,047	653	779
	<u>10,398</u>	<u>329,699</u>	<u>6,499</u>	<u>1,945</u>	<u>2,514</u>

7. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging:

	Notes	Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Cost of properties sold		49,763	824,706	1,000,657	936,476	671,786
Amortisation of prepaid land lease payments	16	—	5,522	10,890	5,845	4,334
Depreciation	14	2,001	5,857	6,342	1,964	3,469
Loss on disposal of property, plant and equipment		916	—	—	—	—
Minimum lease payments under operating leases for land and buildings		722	543	1,312	475	424
Auditors’ remuneration		148	211	596	119	308
Employee benefit expense (including directors’ remuneration (note 9)):						
Wages and salaries		9,384	13,415	16,537	8,882	10,662
Retirement benefit scheme contributions		65	232	1,062	420	863
		<u>9,449</u>	<u>13,647</u>	<u>17,599</u>	<u>9,302</u>	<u>11,525</u>
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		—	2,376	2,112	1,027	1,131

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8. FINANCE COSTS

Group

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Interest on bank loans wholly repayable within five years . . .	27,729	87,752	152,419	80,971	52,949
Interest on other loans	—	—	4,319	—	6,300
Total interest expense on financial liabilities not at fair value through profit or loss	27,729	87,752	156,738	80,971	59,249
Less: Interest capitalised	(27,729)	(86,453)	(143,884)	(73,221)	(58,735)
	<u>—</u>	<u>1,299</u>	<u>12,854</u>	<u>7,750</u>	<u>514</u>

9. DIRECTORS’ REMUNERATION

Directors’ remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	311	377	3,300	442	1,540
Retirement benefit scheme contributions	6	8	18	2	9
	<u>317</u>	<u>385</u>	<u>3,318</u>	<u>444</u>	<u>1,549</u>
	<u>317</u>	<u>385</u>	<u>3,318</u>	<u>444</u>	<u>1,549</u>

The remuneration of each of the directors for the year ended December 31, 2006 is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Lam Lung On	—	120	—	120
Ms. Kwok Ying Lan	—	60	—	60
Mr. Lin Longzhi	—	58	3	61
Mr. Lin Conghui	—	73	3	76
	<u>—</u>	<u>311</u>	<u>6</u>	<u>317</u>
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	<u>—</u>	<u>311</u>	<u>6</u>	<u>317</u>

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The remuneration of each of the directors for the year ended December 31, 2007 is set out below:

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement benefit scheme contributions</u>	<u>Total remuneration</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Executive directors:				
Mr. Lam Lung On	—	120	—	120
Ms. Kwok Ying Lan	—	120	—	120
Mr. Lin Longzhi	—	63	4	67
Mr. Lin Conghui	—	74	4	78
	—	<u>377</u>	<u>8</u>	<u>385</u>
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	<u>—</u>	<u>—</u>	<u>—</u>
	—	<u>377</u>	<u>8</u>	<u>385</u>

The remuneration of each of the directors for the year ended December 31, 2008 is set out below:

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement benefit scheme contributions</u>	<u>Total remuneration</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Executive directors:				
Mr. Lam Lung On	—	1,500	—	1,500
Ms. Kwok Ying Lan	—	1,200	2	1,202
Mr. Lin Longzhi	—	360	8	368
Mr. Lin Conghui	—	240	8	248
	—	<u>3,300</u>	<u>18</u>	<u>3,318</u>
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	<u>—</u>	<u>—</u>	<u>—</u>
	—	<u>3,300</u>	<u>18</u>	<u>3,318</u>

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The remuneration of each of the directors for the six-month period ended June 30, 2009 is set out below:

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement benefit scheme contributions</u>	<u>Total remuneration</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Executive directors:				
Mr. Lam Lung On	—	700	—	700
Ms. Kwok Ying Lan	—	600	1	601
Mr. Lin Longzhi	—	150	4	154
Mr. Lin Conghui	—	90	4	94
	<u>—</u>	<u>1,540</u>	<u>9</u>	<u>1,549</u>
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>1,540</u>	<u>9</u>	<u>1,549</u>

The remuneration of each of the directors for the six-month period ended June 30, 2008 is set out below:

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement benefit scheme contributions</u>	<u>Total remuneration</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Executive directors:				
Mr. Lam Lung On	—	120	—	120
Ms. Kwok Ying Lan	—	120	—	120
Mr. Lin Longzhi	—	110	1	111
Mr. Lin Conghui	—	92	1	93
	<u>—</u>	<u>442</u>	<u>2</u>	<u>444</u>
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>442</u>	<u>2</u>	<u>444</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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ACCOUNTANTS’ REPORT

10. FIVE HIGHEST PAID INDIVIDUALS

During the Relevant Periods, the five highest paid individuals included four directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employee for the Relevant Periods are as follows:

Group

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	58	94	153	47	450
Pension scheme contributions	—	—	8	—	—
	<u>58</u>	<u>94</u>	<u>161</u>	<u>47</u>	<u>450</u>

The remuneration of the non-director, highest paid employee for the Relevant Periods fell within the band of nil to HK\$1,000,000.

11. TAX

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Group:					
Current:					
PRC corporate income tax	2,595	80,458	136,053	130,179	121,608
PRC land appreciation tax (note 26)	2,295	41,872	200,358	190,268	198,862
	<u>4,890</u>	<u>122,330</u>	<u>336,411</u>	<u>320,447</u>	<u>320,470</u>
Deferred (note 27):					
Current year	(107)	60,556	17,642	(6,716)	216,862
Total tax charge for the year	<u>4,783</u>	<u>182,886</u>	<u>354,053</u>	<u>313,731</u>	<u>537,332</u>

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

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Pursuant to then applicable PRC national and local tax laws, the Group’s subsidiaries in Xiamen and Shanghai Pudong New Districts were entitled to a preferential CIT rate of 15% during the two years ended December 31, 2006 and 2007. All other subsidiaries located in Mainland China were subject to CIT at the statutory rate of 33% during the two years ended December 31, 2006 and 2007. For each of the PRC subsidiaries of the Group, CIT was provided at the applicable rates of the profits for the purpose of the PRC statutory financial reporting, adjusted for those items which are not assessable or deductible.

During the 5th session of the 10th National People’s Congress, which was concluded on March 16, 2007, the PRC Corporate Income Tax Law (the “New Corporate Income Tax Law”) was approved and became effective on January 1, 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises, which results in a reduction of income tax rate from 33% to 25%. The effect of this change has been reflected in the calculation of deferred taxes as at December 31, 2007.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from January 27, 1995 (the “LAT Regulations”), all gains arising from the sale or transfer of real estate in Mainland China with effect from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

Pursuant to a circular dated December 18, 2005 issued by the local government of Xiamen on the implementation of LAT Regulations, namely the Approval on Starting Imposing Land Appreciation Tax of Xiamen (《廈門市人民政府關於開徵我市土地增值稅的批復》), the gains arising from the sale or transfer of real estate in the companies in Xiamen are subject to LAT from January 1, 2006 in which the implementation will be in accordance with the Provisional Regulations of the PRC on LAT.

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A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates for each of the Relevant Periods, are as follows:

Group

	Year ended December 31,						Six-month period ended June 30,			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Profit before tax	<u>16,717</u>		<u>560,401</u>		<u>723,149</u>		<u>646,553</u>		<u>1,511,725</u>	
At the statutory income tax rate	5,517	33.0	184,932	33.0	180,787	25.0	161,638	25.0	377,931	25.0
Lower tax rate for specific provinces or local authority	(3,115)	(18.6)	(92,586)	(16.5)	(42,476)	(5.9)	(44,048)	(6.8)	(37,343)	(2.4)
Tax losses utilised from previous periods	—	—	—	—	(2,534)	(0.3)	(2,534)	(0.4)	—	—
Effect on deferred tax of increase in rates	—	—	49,518	8.8	—	—	—	—	—	—
Income not subject to tax	(515)	(3.0)	(47,982)	(8.6)	(1,532)	(0.2)	(152)	—	(1,892)	(0.1)
Expenses not deductible for tax	274	1.6	47,879	8.5	26,299	3.6	22,736	3.5	6,365	0.4
Tax losses not recognised	671	4.0	6,790	1.2	13,718	1.9	8,406	1.3	22,294	1.4
Effect of withholding tax at 5% on the distributable profits of the Group’s PRC subsidiaries	—	—	—	—	19,505	2.7	15,471	2.4	14,865	1.0
LAT	2,295	13.7	41,872	7.5	200,358	27.7	190,268	29.4	198,862	13.1
Tax effect of LAT	(344)	(2.1)	(7,537)	(1.3)	(40,072)	(5.5)	(38,054)	(5.9)	(43,750)	(2.9)
Tax charge at the Group’s effective rate	<u>4,783</u>	<u>28.6</u>	<u>182,886</u>	<u>32.6</u>	<u>354,053</u>	<u>49.0</u>	<u>313,731</u>	<u>48.5</u>	<u>537,332</u>	<u>35.5</u>

12. DIVIDENDS

No dividend has been declared by the Company since its incorporation.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods being made on a combined basis as disclosed in notes 1 and 2 of Section II above.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2006	3,080	—	2,694	8,033	—	13,807
Additions	—	254	663	4,941	124,442	130,300
Disposals	(1,280)	—	—	(294)	—	(1,574)
Exchange realignment	—	—	—	(27)	—	(27)
At December 31, 2006 and January 1, 2007	1,800	254	3,357	12,653	124,442	142,506
Additions	—	638	4,394	6,110	11,026	22,168
Acquisition of a subsidiary	—	—	2,656	—	—	2,656
Exchange realignment	—	—	—	(49)	—	(49)
At December 31, 2007 and January 1, 2008	1,800	892	10,407	18,714	135,468	167,281
Additions	2,685	768	3,649	353	12,354	19,809
Disposals	—	—	—	(1,074)	—	(1,074)
Exchange realignment	—	—	—	(31)	—	(31)
At December 31, 2008 and January 1, 2009	4,485	1,660	14,056	17,962	147,822	185,985
Additions	478	—	157	979	2,680	4,294
Exchange realignment	—	—	—	(8)	—	(8)
At June 30, 2009	4,963	1,660	14,213	18,933	150,502	190,271
Accumulated depreciation:						
At December 31, 2005 and January 1, 2006	(1,006)	—	(1,597)	(3,683)	—	(6,286)
Depreciation provided during the year	(70)	—	(350)	(1,581)	—	(2,001)
Disposals	433	—	—	225	—	658
Exchange realignment	—	—	—	7	—	7
At December 31, 2006 and January 1, 2007	(643)	—	(1,947)	(5,032)	—	(7,622)
Depreciation provided during the year	(590)	(47)	(2,097)	(3,123)	—	(5,857)
Acquisition of a subsidiary	—	—	(1,996)	—	—	(1,996)
Exchange realignment	—	—	—	24	—	24
At December 31, 2007 and January 1, 2008	(1,233)	(47)	(6,040)	(8,131)	—	(15,451)
Depreciation provided during the year	(100)	(397)	(1,979)	(3,866)	—	(6,342)
Disposals	—	—	—	1,074	—	1,074
Exchange realignment	—	—	—	31	—	31
At December 31, 2008 and January 1, 2009	(1,333)	(444)	(8,019)	(10,892)	—	(20,688)
Depreciation provided during the period	(35)	(153)	(1,346)	(1,935)	—	(3,469)
Exchange realignment	—	—	—	8	—	8
At June 30, 2009	(1,368)	(597)	(9,365)	(12,819)	—	(24,149)
Net book value:						
At December 31, 2006	1,157	254	1,410	7,621	124,442	134,884
At December 31, 2007	567	845	4,367	10,583	135,468	151,830
At December 31, 2008	3,152	1,216	6,037	7,070	147,822	165,297
At June 30, 2009	3,595	1,063	4,848	6,114	150,502	166,122

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The Group’s leasehold land and buildings included above are situated in Mainland China under the long lease terms.

15. INVESTMENT PROPERTIES

Group

	Completed	Under construction	Total
	RMB’000	RMB’000	RMB’000
At January 1, 2006	3,895	46,273	50,168
Additions	—	256,424	256,424
Transfers	7,160	(7,160)	—
Net gains from fair value adjustments	840	—	840
At December 31, 2006 and January 1, 2007	11,895	295,537	307,432
Acquisition of a subsidiary (note 30)	679,000	—	679,000
Additions	—	172,934	172,934
Transfers	25,709	(25,709)	—
Net gains from fair value adjustments	73,396	—	73,396
At December 31, 2007 and January 1, 2008	790,000	442,762	1,232,762
Additions	—	102,701	102,701
Transfers	34,212	(34,212)	—
Net gains from fair value adjustments	108,088	—	108,088
At December 31, 2008 and January 1, 2009	932,300	511,251	1,443,551
Additions	—	40,053	40,053
Transfers	170,906	(170,906)	—
Net gains from fair value adjustments	932,094	—	932,094
At June 30, 2009	<u>2,035,300</u>	<u>380,398</u>	<u>2,415,698</u>

The Group’s investment properties are situated in Mainland China and are held under the following lease terms:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Long term leases	197,955	263,293	284,914	270,912
Medium term leases	109,477	969,469	1,158,637	2,144,786
At end of year/period	<u>307,432</u>	<u>1,232,762</u>	<u>1,443,551</u>	<u>2,415,698</u>

At each of the reporting dates of the Relevant Periods, the Group’s completed investment properties were revalued by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis. The Group’s investment properties under construction were measured at cost until such time as fair value can be determined reliably or construction is completed as the Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably.

At December 31, 2007, December 31, 2008 and June 30, 2009, certain of the Group’s completed investment properties of RMB782,000,000, RMB834,000,000 and RMB984,000,000, respectively, were pledged to banks to secure the loans granted to the Group (note 25).

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The Group’s completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a).

16. PREPAID LAND LEASE PAYMENTS

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Carrying amount at beginning of year/period	—	—	698,381	650,479
Addition/(reduction) during the year/period	—	703,903	64,006	(34,470)
Amortised during the year/period	—	(5,522)	(10,890)	(4,334)
Transferred to properties under development	—	—	(101,018)	—
Carrying amount at end of year/period	—	698,381	650,479	611,675
Current portion	—	(102,257)	(63,549)	(63,092)
Non-current portion	—	596,124	586,930	548,583

The Group’s leasehold land is situated in Mainland China and is held under the following lease terms:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Long term leases	—	572,987	527,479	524,342
Medium term leases	—	125,394	123,000	87,333
	—	698,381	650,479	611,675

Included in the Group’s non-current balance of prepaid land lease payments are certain parcels of land held for property development projects for which the Group has experienced delays in commencing construction due to the uncertainty over the designated land use purpose or the plot ratio of the land. As of the date of this report, the Group has begun the application process for the permits required to commence construction of the relevant projects, and the Group has not received any warning notice or been fined any idle land fee for its delay in commencing construction from the local land bureau. Based on its understanding of current PRC laws and regulations and its consultation with the relevant government authorities, the Company’s PRC legal advisor is of the opinion that the Group has begun the application process for the permits required for the commencement of construction of the relevant projects in accordance with normal procedures and will not be required to pay idle land fees or forfeit the land for such projects. Accordingly, the directors of the Company consider that no provision for idle land fees or land forfeiture is required for the land included in the non-current balance of prepaid land lease payments up to the date of this report.

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17. PROPERTIES UNDER DEVELOPMENT

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Properties under development expected to be completed:				
Within normal operating cycle included under current assets	1,909,847	3,191,481	3,412,056	3,046,185
Properties under development expected to be completed within normal operating cycle and recoverable:				
—Within one year	504,128	1,086,140	1,960,714	2,173,105
—After one year	1,405,719	2,105,341	1,451,342	873,080
	<u>1,909,847</u>	<u>3,191,481</u>	<u>3,412,056</u>	<u>3,046,185</u>

All the Group’s properties under development are located in Mainland China and are held under long term leases.

At December 31, 2006, 2007 and 2008 and June 30, 2009, certain of the Group’s properties under development of RMB716,605,000, RMB1,254,482,000, RMB994,072,000 and RMB1,405,475,000, respectively, were pledged to banks to secure the loans granted to the Group (note 25).

18. COMPLETED PROPERTIES HELD FOR SALE

All the Group’s properties held for sale are located in Mainland China and were held under long term leases. All the properties held for sale are stated at cost.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Prepayments	115,963	162,969	116,764	128,910
Deposits and other receivables	134,723	235,843	130,433	121,162
	<u>250,686</u>	<u>398,812</u>	<u>247,197</u>	<u>250,072</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in the Group’s other receivables as at 31 December 2006, 2007 and 2008 and 30 June 2009 are amounts due from the minority shareholders of the Group’s subsidiaries of RMB87,824,000, RMB124,324,000, RMB15,527,000 and RMB15,543,000, respectively. The balances with the minority shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

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20. DUE FROM/TO RELATED PARTIES

An analysis of the balances with related parties is as follows:

		At December 31,			At June 30,
		2006	2007	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:					
Mr. Lam		2,892	2,892	2,892	2,892
Ms. Kwok		151,791	94,841	24,402	145,365
Mr. Lin Longzhi	(i)	18,513	43,543	—	—
Mr. Lin Conghui	(i)	200	200	—	—
Ms. Ye Biyun	(ii)	9	9	—	—
Zongheng Group	(iii)	162,813	192,813	—	—
Yaozhou Management Co.	(iv)	24,770	24,770	—	—
Xiamen Gangyi Capital Company Limited (“Gangyi Capital Co.”)	(vi)	—	—	—	900
Xiamen Zongheng Group Technology Co., Ltd (“Zongheng Technology Co.”)	(iii)	—	—	—	10,400
		<u>360,988</u>	<u>359,068</u>	<u>27,294</u>	<u>159,557</u>
Due to related parties:					
Ms. Kwok		144,308	362,982	549,033	567,238
Ms. Ye Biyun	(ii)	—	—	4,750	—
Mr. Guo Wengu	(ii)	30,000	422,413	—	—
Mr. Lin Conghui	(i)	—	—	250	—
Mr. Lam Wang Yu	(v)	1,989	50	1,642	1,642
Zongheng Group	(iii)	55,000	—	10,348	10,348
Gangyi Capital Co.	(vi)	—	—	4	—
Yaozhou Management Co.	(iv)	5,248	5,248	—	—
Xiamen Zongheng Group Property Development Co., Ltd (“Zongheng Co”)	(iii)	25,000	2,620	—	—
Xiamen Zongheng Group Communication Management Co., Ltd (“Zongheng Communication Management Co.”)	(iii)	—	12,479	12,479	4,539
		<u>261,545</u>	<u>805,792</u>	<u>578,506</u>	<u>583,767</u>

Notes:

- (i) Mr. Lin Longzhi and Mr. Lin Conghui are the directors of the Company.
- (ii) Ms. Ye Biyun and Mr. Guo Wengu are the parents of Ms. Kwok.
- (iii) Zongheng Group, Zongheng Co, Zongheng Technology Co. and Zongheng Communication Management Co. are companies controlled by the Founders. Zongheng Co. is a subsidiary of Yaozhou Management Co.
- (iv) Yaozhou Management Co. is a company controlled by the Founders.
- (v) Mr. Lam Wang Yu is the son of the Founders.
- (vi) Gangyi Capital Co. is a company controlled by Ms. Ye Biyun and Mr. Lin Conghui.

Save as the amounts due to Zongheng Communication Management Co. which is trade in nature and repayable according to the terms of the relevant contract, the above balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

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None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Save as an amount of RMB355,368,000 due to Ms. Kwok as at June 30, 2009 which has been capitalised for the allotment and issue of shares by the Company to the Founders as part of the Reorganisation, the directors of the Company confirm that the outstanding balances due from/to related parties as at June 30, 2009 will be settled before the completion of the Reorganization.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	169,805	142,848	204,725	495,094
Less: Restricted cash (notes)	(2,127)	(4,881)	(8,178)	(38,247)
Cash and cash equivalents	<u>167,678</u>	<u>137,967</u>	<u>196,547</u>	<u>456,847</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At December 31, 2006, 2007 and 2008 and June 30, 2009, the cash and bank balances of the Group denominated in RMB amounted to RMB166,934,000, RMB138,973,000, RMB198,116,000 and RMB490,301,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

- (a) According to relevant documents issued by the Xiamen Municipal Land and Housing Administrative Bureau, certain property management companies of the Group are required to place part of their management fees received at banks as guarantee deposits for public maintenance fund of the related properties. The deposits can only be used for the maintenance of the relevant properties. At December 31, 2006, 2007 and 2008 and June 30, 2009, such guarantee deposits amounted to RMB1,148,000, RMB2,827,000, RMB2,258,000 and RMB1,413,000, respectively.
- (b) According to the relevant mortgage facility agreement signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificate of the relevant property has been passed to the bank. As at December 31, 2006, 2007 and 2008 and June 30, 2009, such deposits amounted to RMB979,000, RMB53,000, RMB50,000 and RMB53,000, respectively.
- (c) According to the relevant loan facility agreements signed by certain subsidiaries of the Group with the banks, the subsidiaries are required to place the pre-sale proceeds of their properties at designated bank accounts. The deposits can only be used for the payment of property

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development cost incurred by the subsidiary and the repayment of the relevant loan. As at 31 December 2007 and 2008 and 30 June 2009, such deposits amounted to RMB2,001,000, RMB5,870,000, and RMB36,781,000, respectively.

22. RECEIPTS IN ADVANCE

Receipts in advance represented amounts received from buyers in connection with the pre-sale of properties during the Relevant Periods.

23. TRADE PAYABLES

An aged analysis of the trade payables as at each reporting date of the Relevant Periods, based on the invoice date, is as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due within 1 year or on demand	524,860	314,793	498,578	513,036
Due within 1 to 2 years	152,430	373,834	309,044	319,869
	<u>677,290</u>	<u>688,627</u>	<u>807,622</u>	<u>832,905</u>

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals	1,348	1,146	1,164	3,990
Other payables	56,088	234,560	219,074	181,808
	<u>57,436</u>	<u>235,706</u>	<u>220,238</u>	<u>185,798</u>

The carrying amounts of other payables approximate to their fair values.

Included in the Group’s other payables as at December 31, 2006, 2007 and 2008 and June 30, 2009 are amounts due to the minority shareholders of the Group’s subsidiaries of RMB24,911,000, RMB12,000,000, RMB12,631,000 and RMB12,631,000, respectively. The balances with the minority shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	At December 31,						At June 30,			
	2006		2007		2008		2009			
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	
Current										
Bank loans										
—unsecured ...			—	7.56%	2008	230,000	7.56%	2009	69,691	—
Bank loans										
— secured ...	6.3%	2007	282,200	7.56%	2008	714,350	7.56%	2009	756,862	5.4%-2009-2010 893,440
Other loans										
—unsecured ...			—			—	8.69%	2009	145,000	8.69% 2009 90,000
			<u>282,200</u>			<u>944,350</u>			<u>971,553</u>	<u>983,440</u>
Non-current										
Bank loans										
—unsecured ...	6.3%	2008	230,000			—				—
Bank loans										
— secured ...	6.3%	2008-2009	405,000	7.56%	2009-2010	1,098,750	7.56%-8.32%	2010-2011	1,392,950	5.4%-2010-2011 730,000
			<u>635,000</u>			<u>1,098,750</u>			<u>1,392,950</u>	<u>730,000</u>
			<u>917,200</u>			<u>2,043,100</u>			<u>2,364,503</u>	<u>1,713,440</u>

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	282,200	944,350	826,553	893,440
In the second year	560,000	728,750	1,167,950	700,000
In the third to fifth years, inclusive	75,000	370,000	225,000	30,000
	<u>917,200</u>	<u>2,043,100</u>	<u>2,219,503</u>	<u>1,623,440</u>
Other loans repayable:				
Within one year or on demand	—	—	145,000	90,000
	<u>917,200</u>	<u>2,043,100</u>	<u>2,364,503</u>	<u>1,713,440</u>

- (a) Certain of the Group’s bank loans are secured or guaranteed by:
- mortgages over the Group’s properties under development with an aggregate carrying values at December 31, 2006, 2007 and 2008 and June 30, 2009 of approximately RMB716,605,000, RMB1,254,482,000, RMB994,072,000 and RMB1,405,475,000 respectively;
 - pledges over the Group’s investment properties with an aggregate carrying value at December 31, 2007 and 2008 and June 30, 2009 of approximately RMB782,000,000, RMB834,000,000 and RMB984,000,000, respectively;
 - corporate guarantees executed by certain subsidiaries of the Group to the extent of RMB430,000,000, RMB700,000,000, RMB1,000,000,000 and RMB960,000,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively; and
 - personal guarantee executed by a former minority shareholder of the Group’s subsidiary to the extent of RMB90,000,000 as at December 31, 2007. The loan was repaid by the Group in April 2008.
- (b) All bank borrowings of the Group are denominated in RMB.

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- (c) The carrying amounts of the Group’s borrowings approximate to their fair values.
- (d) Other loans represented entrusted loans obtained from Zongheng Group through a financial institution. The loans were unsecured, bore interest at 8.69% per annum and were repayable within one year. The other loans have been fully repaid by the Group in July 2009.

26. PROVISION FOR LAND APPRECIATION TAX

	Group RMB’000
At January 1, 2006	—
Charged to the combined income statement during the year (note 11)	2,295
Payment for the year	<u>(2,295)</u>
At December 31, 2006 and January 1, 2007	—
Charged to the combined income statement during the year (note 11)	41,872
Payment for the year	<u>(11,741)</u>
At December 31, 2007 and January 1, 2008	30,131
Charged to the combined income statement during the year (note 11)	200,358
Payment for the year	<u>(47,525)</u>
At December 31, 2008 and January 1, 2009	182,964
Charged to the combined income statement during the period (note 11)	198,862
Payment for the period	<u>(70,519)</u>
At June 30, 2009	<u><u>311,307</u></u>

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from January 27, 1995, all gains arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

27. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the combined statements of financial position are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Deferred tax assets	647	7,958	36,843	67,869
Deferred tax liabilities	(210)	(142,353)	(188,880)	(436,768)
	<u>437</u>	<u>(134,395)</u>	<u>(152,037)</u>	<u>(368,899)</u>

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The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

	Withholding tax	Tax losses	Revaluation on investment properties	Provision of LAT	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2006	—	330	—	—	330
Credited/(charged) to the combined income statement during the year (note 11)	—	317	(210)	—	107
At December 31, 2006 and January 1, 2007	—	647	(210)	—	437
Credited/(charged) to the combined income statement during the year (note 11)	—	1,887	(18,349)	5,424	(11,038)
Acquisition of a subsidiary (note 30)	—	—	(74,276)	—	(74,276)
Effect on deferred tax of increase in rates	—	—	(49,518)	—	(49,518)
At December 31, 2007 and January 1, 2008	—	2,534	(142,353)	5,424	(134,395)
Credited/(charged) to the combined income statement during the year (note 11)	(19,505)	(2,534)	(27,022)	31,419	(17,642)
At December 31, 2008 and January 1, 2009	(19,505)	—	(169,375)	36,843	(152,037)
Credited/(charged) to the combined income statement during the period (note 11)	(14,865)	—	(233,023)	31,026	(216,862)
At June 30, 2009	(34,370)	—	(402,398)	67,869	(368,899)

The Group had unutilised tax losses of approximately RMB15,360,000, RMB73,207,000, RMB132,524,000 and RMB243,994,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of related benefits through future taxable profits is probable. The Group did not recognise deferred tax assets on unutilised tax losses arising in the PRC of RMB11,047,000, RMB56,313,000, RMB132,524,000 and RMB243,994,000, as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, due to the unpredictability of future profit streams.

Pursuant to the New Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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28. ISSUED CAPITAL

The Company was incorporated on April 23, 2008 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, 100 shares of which was allotted and issued for cash at par on the same day.

29. RESERVES

(a) Group

The amounts of the Group’s reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity.

(b) Merger reserve

The merger reserve represents the difference between the Company’s share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company’s cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 1 above.

(c) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company’s subsidiaries established in the PRC, and were approved by the respective boards of directors.

(d) Deemed distribution to the then equity owners upon the Reorganisation

For the purpose of this report, deemed distribution to the then equity owners represents the costs paid by the Group to the equity owners in respect of the acquisition of subsidiaries pursuant to the Reorganisation.

(e) Other reserve

Certain amount of goodwill arising on the acquisition of minority interests was recognised as other reserve.

30. BUSINESS COMBINATION

On February 7, 2007, Fung Chow Co. acquired the entire share capital of Guifeng Co. from certain independent third parties at a cash consideration of RMB258,402,000. Following the acquisition, Guifeng Co. became a wholly-owned subsidiary of the Group. Guifeng Co. principally engages in property development in Mainland China. Part of the consideration amounting to RMB193,402,000 was paid by February 8, 2007 and the remaining consideration of RMB65,000,000 remained unsettled as at June 30, 2009.

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The fair values of the identifiable assets and liabilities of Guifeng Co. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

		Fair value recognised on acquisition	Previous carrying amount
		2007	2007
	Notes	RMB’000	RMB’000
Net assets acquired:			
Property, plant and equipment	14	660	660
Investment properties	15	679,000	183,824
Completed properties held for sale		2,947	2,947
Prepayments, deposits and other receivables		12,064	12,064
Cash and bank balances		36,468	36,468
Trade payables		(5,736)	(5,736)
Other payables and accruals		(57,859)	(57,859)
Tax payable		(14,984)	(14,984)
Deferred tax liabilities	27	(74,276)	—
		578,284	157,384
Excess over the cost of a business combination recognised in the income statement		(319,882)	
		258,402	
Satisfied by:			
Cash		193,402	
Other payables		65,000	
		258,402	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB’000
Cash consideration	(193,402)
Cash and bank balances acquired	36,468
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(156,934)

Since its acquisition, Guifeng Co. contributed RMB18,266,000 to the Group’s turnover and contributed a net profit of RMB59,138,000, which included fair value gains on investment properties, net of deferred tax effect, of RMB55,047,000, to the combined profit for the year ended December 31, 2007.

Had the combination taken place at the beginning of the year, there would have been no significant impact on the revenue and profit of the Group for the year ended December 31, 2007.

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31. NOTES TO THE COMBINED CASH FLOW STATEMENTS

Major non-cash transaction

On August 15, 2007, Fung Chow Co. entered into an agreement with certain third parties to acquire the remaining 40% equity interest in Kim International Realty and Development Company Limited at a consideration of RMB400,000,000. Kim International Realty and Development Company Limited became a wholly-owned subsidiary of the Group following the acquisition. The consideration was in the form of cash of RMB300,000,000 and the offset of an amount of RMB100,000,000 due by a director of the Company to the Group against an amount due by one of the vendors to that director.

32. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at each of the reporting dates of the Relevant Periods:

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group’s properties	1,241,036	1,688,829	1,719,307	2,220,160

At December 31, 2006, 2007 and 2008 and June 30, 2009, the Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group’s properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as security on the mortgage loans. Upon default on mortgage payments by these purchasers, the banks are entitled to take over the legal titles and can realise the pledged properties through open auction. The Group is obliged to repay the banks for the shortfall if the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group’s guarantee period starts from the dates of grant of the relevant mortgage loans, and ends upon the earlier of (i) the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers.

The directors of the Company consider that the fair value of the guarantees is not significant, and in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the Financial Information.

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33. PLEDGE OF ASSETS

Details of the Group’s banks loans which are secured by the assets of the Group, are included in note 25(a) to the Financial Information.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions.

At each of the reporting dates of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	408	22,020	22,257	35,188
In the second to fifth years, inclusive	—	68,346	62,655	88,268
After five years	—	28,383	13,173	33,474
	<u>408</u>	<u>118,749</u>	<u>98,085</u>	<u>156,930</u>

(b) As lessee

The Group leases certain of the office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At each of the reporting dates of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	530	339	1,229	1,348
In the second to fifth years, inclusive	26	—	1,963	1,429
	<u>556</u>	<u>339</u>	<u>3,192</u>	<u>2,777</u>

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35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at each of the reporting dates of the Relevant Periods:

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted, but not provided for:				
Investment properties under construction and properties under development	949,109	1,905,949	1,235,825	738,365
Acquisition of land use rights	154,088	161,588	60,000	200,110
	<u>1,103,197</u>	<u>2,067,537</u>	<u>1,295,825</u>	<u>938,475</u>

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods.

	Notes	Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Sales of properties to:						
Mr. Lam	(i),(ii)	—	39,509	—	—	—
Ms. Kwok	(i),(ii)	—	3,850	—	—	—
Mr. Chan Kam Lit (1)	(i),(ii)	—	2,497	—	—	—
Ms. Lam Yu Fong (2)	(i),(ii)	—	4,814	—	—	—
Mr. Lam Wang Yu (2)	(i),(ii)	3,192	53,164	—	—	—
Ms. Huang Shunu (3)	(i),(ii)	—	28,684	—	—	—
		<u>3,192</u>	<u>132,518</u>	<u>—</u>	<u>—</u>	<u>—</u>
Purchase of properties from						
Ms. Kwok	(i),(ii)	—	—	2,538	—	—
Interest expense paid to						
Zongheng Group	(iii)	—	—	4,319	—	6,300
Services fees paid to:						
Zongheng Communication Management Co.	(iv)	—	12,479	—	—	—
Xiamen Zongheng Group Communication Development Co., Ltd (“Zongheng Communication Development Co.”)	(v)	541	320	3,148	168	859
		<u>541</u>	<u>12,799</u>	<u>3,148</u>	<u>168</u>	<u>859</u>

Notes:

- (1) Mr. Chan Kam Lit is a minority shareholder of the Group’s subsidiary.
- (2) Mr. Lam Wang Yu and Ms. Lam Yu Fong are the son and daughter of the Founders, respectively.
- (3) Ms. Huang Shunu is the sister-in-law of Ms. Kwok.

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- (i) Properties were sold or purchased at prices mutually agreed by the relevant parties.
 - (ii) In the opinion of the directors of the Company, the transactions were entered into in the ordinary course of business of the Group.
 - (iii) The interest expense is charged on the entrusted loans obtained from Zongheng Group as further detailed in note 25(d) to the Financial Information.
 - (iv) The service fees were incurred for the decoration services provided by Zongheng Communication Management Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contract entered into between the relevant parties.
 - (v) The service fees were incurred for the design, installation and testing of intelligence systems provided by Zongheng Communication Development Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contracts entered into between the relevant parties.
- (b) Compensation of key management personnel of the Group
- In the opinion of the Company’s directors, the directors of the Company represented the key management personnel of the Group and details of the compensation of which are set out in note 9 to the Financial Information.
- (c) Subsequent to June 30, 2009, the Founders have entered into a deed of indemnity dated October 9, 2009 with and in favour of the Company pursuant to which the Founders provided certain taxation related indemnities in favour of the Company, details of which are set out in the sub-section headed “E. Other information — 1. Estate duty, tax and other indemnities” in Appendix VII of the document.

37. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated as Yuzhou Properties Company Limited in the Cayman Islands on April 23, 2008 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The Company was incorporated with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. 50 shares of US\$1 each were issued and allotted to Mr. Lam and 50 shares of US\$1 each were issued and allotted to Ms. Kwok on April 23, 2008. The financial position of the Company as at December 31, 2008 and June 30, 2009 is as follows:

	<u>December 31,</u> <u>2008</u> <u>RMB’000</u>	<u>June 30,</u> <u>2009</u> <u>RMB’000</u>
CURRENT ASSET		
Amount due from shareholders	1	1
	<u>1</u>	<u>1</u>
EQUITY		
Issued capital	1	1
	<u>1</u>	<u>1</u>

The Company’s authorised share capital was subsequently increased and the nominal value of its shares were re-denominated from US\$1.00 each to HK\$0.10 each.

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Pursuant to written resolutions passed by Mr. Lam and Ms. Kwok, shareholders of the Company, on September 14, 2009 the authorised share capital of the Company was increased by HK\$5,000 by the creation of 50,000 shares of HK\$0.10 each. The Company allotted and issued 50 shares and 50 shares, respectively, credited as fully paid, to Mr. Lam and Ms. Kwok. Immediately after the increase in its authorised share capital and the above issue of shares, the Company repurchased all 100 existing issued shares of US\$1.00 each in the capital of the Company in issue and cancelled such shares. The authorised share capital of the Company was diminished by the cancellation of 50,000 shares of US\$1.00 each in the capital of the Company.

Upon completion of all the above steps, the authorised share capital of the Company became HK\$5,000 divided into 50,000 shares of HK\$0.10 each. On October 9, 2009, the authorised share capital of the Company was further increased from HK\$5,000 to HK\$10,000,000,000 by the creation of 99,999,950,000 shares of HK\$0.10 each.

Pursuant to a written resolution passed by Mr. Lam and Ms. Kwok, shareholders of the Company, on October 9, 2009, the then outstanding amount of HK\$809,362,447 due by the Company to Mr. Lam and Ms. Kwok in equal proportions, was settled in full by the Company by the issue of 403,199,479 shares to Mr. Lam and 403,199,479 shares to Ms. Kwok, respectively.

38. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Company and the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 are loans and receivables and financial liabilities stated at amortised cost, respectively.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group’s assets are predominantly in the form of prepaid land lease payments, investment properties, properties under development and completed properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

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Interest rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in Mainland China at the same saving rate of unrestricted deposits throughout the Relevant Periods. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Since the Group has mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 50 basis point in interest rate, with all other variables held constant, would have no material impact on the Group’s profit during the Relevant Periods and there would be no material impact on other components of the Group’s equity.

Foreign currency risk

All of the Group’s turnover and substantially all of the Group’s operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group’s PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under the existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for the Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group’s PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. The Group’s PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group’s subsidiaries’ ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Company.

The Group’s financial assets and liabilities including certain amounts due from/to related parties denominated in Hong Kong dollars and certain short term deposits denominated in Hong Kong

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dollars are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group’s results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group’s exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group’s exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group’s exposure successfully, or at all.

A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and the Renminbi would have no material impact on the Group’s profit during the Relevant Periods and there would be no material impact on other components of the Group’s equity.

Credit risk

It is the Group’s policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. There is no significant concentration of credit risk within the Group.

On top of the credit risk arising from the financial guarantees provided by the Group as detailed in note 32, the credit risk of the Group’s other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities are available for contingency purposes.

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The maturity profile of the Group’s financial liabilities as at each of the reporting dates of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

At December 31, 2006				
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing bank and other borrowings	282,200	587,993	79,324	949,517
Trade payables	524,860	152,430	—	677,290
Other payables	56,088	—	—	56,088
Due to related parties	261,545	—	—	261,545
	<u>1,124,693</u>	<u>740,423</u>	<u>79,324</u>	<u>1,944,440</u>

At December 31, 2007				
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing bank and other borrowings	944,350	788,878	385,323	2,118,551
Trade payables	314,793	373,834	—	688,627
Other payables	234,560	—	—	234,560
Due to related parties	805,792	—	—	805,792
	<u>2,299,495</u>	<u>1,162,712</u>	<u>385,323</u>	<u>3,847,530</u>

At December 31, 2008				
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing bank and other borrowings	1,125,223	1,227,844	233,732	2,586,799
Trade payables	498,578	309,044	—	807,622
Other payables	219,074	—	—	219,074
Due to related parties	578,506	—	—	578,506
	<u>2,421,381</u>	<u>1,536,888</u>	<u>233,732</u>	<u>4,192,001</u>

At June 30, 2009				
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing bank and other borrowings	1,064,484	719,560	31,034	1,815,078
Trade payables	513,036	319,869	—	832,905
Other payables	185,798	—	—	185,798
Due to related parties	583,767	—	—	583,767
	<u>2,347,085</u>	<u>1,039,429</u>	<u>31,034</u>	<u>3,417,548</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and provide returns for shareholders and benefits for other stakeholders.

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The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and other payables, accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The gearing ratios as at each of the reporting dates of the Relevant Periods were as follows:

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	917,200	2,043,100	2,364,503	1,713,440
Trade payables	677,290	688,627	807,622	832,905
Other payables and accruals	57,436	235,706	220,238	185,798
Less: Cash and cash equivalents	(167,678)	(137,967)	(196,547)	(456,847)
Net debt	1,484,248	2,829,466	3,195,816	2,275,296
Equity attributable to equity holders of the Company	262,045	671,321	879,096	1,851,958
Capital and net debt	1,746,293	3,500,787	4,074,912	4,127,254
Gearing ratio	85%	81%	78%	55%

III. SUBSEQUENT EVENTS

In addition to the subsequent events detailed elsewhere in this report, the Group had the following significant subsequent events:

- (a) The Company underwent the Reorganisation which was completed on October 9, 2009, further details of which are set out in notes 1 and 37 of Section II of this report.
- (b) In September 2009, a subsidiary of the Company entered into a land grant contract to acquire a parcel of land located in Xiamen through a government-organised listing-for-sale. The consideration for the land is RMB1,500.0 million, of which the subsidiary has paid RMB164.0 million as of the date of this report.

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IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to June 30, 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX III

PROFIT FORECAST

(A) PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

The forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2009 is set out in “Financial Information — Profit Forecast For the Year Ending December 31, 2009”.

Bases and Assumptions

The forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2009 is based on (i) the audited combined results of the Group for the six months ended June 30, 2009, (ii) the unaudited combined results of the Group for the two months ended August 31, 2009 and (iii) our forecast of the combined results of the Group for the remaining four months ending December 31, 2009. The profit forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountants’ Report in Appendix I to this document and the assumptions set forth below.

Substantially all of our forecast revenue for the four months ending December 31, 2009 is attributable to sale of properties in Phase II of Yuzhou Jinqiao International. The construction of Phase II of Yuzhou Jinqiao International was completed in May 2009 and we began delivering properties in such project phase in the second half of 2009. All properties in such project phase delivered or to be delivered during the four months ending December 31, 2009 were delivered or are expected to be delivered pursuant to sale agreements executed on or prior to June 30, 2009.

General Assumptions

The Directors have adopted the following further assumptions in the preparation of the profit forecast:

- there will be no significant changes in existing political, legal, fiscal, market or economic conditions in the PRC, including changes in legislation, regulations, or rules, which may have a material adverse effect on the Group’s income;
- there will be no significant changes in the government policies in the PRC in which we operate (including, but not limited to, those in relation to property development, the pricing and selling of the Group’s properties and taxation of sales income derived therefrom, LAT and other property related taxes), 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 to, or impose, additional austerity measures to dampen the sales and prices of properties;
- there will be no material changes in the inflation rate, interest rates or foreign currency exchange rates in the PRC from those prevailing as of the date of the document;
- there will be no material change in the bases or rates of taxation, both direct and indirect, in the PRC;
- the Group’s 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

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the directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents; and

Bases and Assumptions on Forecast Fair Value Gains on Investment Properties

- 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 our Group operates.
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- The current financial, economic and political conditions which prevail in the PRC and in the neighbouring cities/provinces and which are material to the rental income generated by the investment properties are expected to remain unchanged.

Such specific assumptions are consistent with the approach undertaken by our Property Valuer in Appendix V to this document.

Assumption on Forecast Increase in Fair Value of Investment Properties

Under HKFRS, gains or losses arising from changes in the fair values of investment properties are included in the combined income statements in the period in which they arise. Our combined results of operation may be substantially affected by such changes in fair values. Please refer to the section headed “Risk Factors — Risks Relating to our Business — Our results of operations include fair value gains on investment properties, which are unrealized” in this document for more details.

Our forecast profit has been stated both prior to the projected revaluation on our investment properties and after such projected revaluation. Such fair value gains on our investment properties have been estimated on the basis of projected valuations as at December 31, 2009 estimated by the Directors according to a basis of valuation which is, as far as practicable, consistent with the basis of valuation that has been adopted by our independent property valuer in valuing our properties for the purposes of our audited combined financial information for the six-month period ended June 30, 2009 and the Property Valuation in Appendix V to this document. The assumptions underlying the basis of valuation used to estimate fair value gains include:

- 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 our Group operates.
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- The current financial, economic and political conditions which prevail in the PRC and in the neighbouring cities/provinces and which are material to the rental income generated by the investment properties are expected to remain unchanged.

In valuing our investment properties, the Directors have used the investment method by capitalizing the current rent passing derived from the existing tenancies with due provisions for

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reversionary income potential, or where appropriate, the direct comparison method by making reference to comparable sales evidence as available in the relevant market.

In preparing our analysis of the effect of fair value gains on our profit forecast, our estimates are based on transactions in comparable properties currently available, with prices projected as of December 31, 2009, based on the improving environment, if any, of such properties to the best estimate of the Directors. Therefore, the Directors’ forecast is made on a basis of “not less than” the market value of our investment properties as at August 31, 2009 in our profit forecast.

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as of December 31, 2009, [and our independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable,] the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate.

Fair Value Gains on Investment Properties by Projects

The forecast profit of RMB1,072.4 million for the year ending December 31, 2009 includes the forecast fair value gains or losses on our investment properties. The forecast fair value gains or losses on our investment properties, net of deferred tax effect, for the year ending December 31, 2009 is RMB699.1 million. No cash inflow will be generated from any such fair value gains.

	For the six-month period ended June 30, 2009	For the year ending December 31, 2009
	(RMB'000)	
The Mall at Phase I of Yuzhou World Trade Center	109,500	109,500
The Mall at Phase II of Yuzhou World Trade Center	441,047	441,047
Phase II of Yuzhou Jinqiao International	41,016	41,016
Yuzhou Golden Seacoast	107,508	107,508
Change in fair value recognized during the year/period	<u>699,071</u>	<u>699,071</u>

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Sensitivity Analysis

The following table illustrates the sensitivity of the forecast combined profit attributable to equity holders of the Company to levels of revaluation increase/decrease on investment properties (net of deferred tax effect) for the year ending December 31, 2009:

Changes in valuation of investment properties compared to the estimated revaluation increase/ (decrease) on investment properties of RMB2,035.3 million	5%	10%	15%	(5)%	(10)%	(15)%
Impact on the forecast combined profit attributable to equity holders of the Company (RMB'000)	76,324	152,647	228,971	(76,324)	(152,647)	(228,971)

If the estimated fair value of investment properties rises/declines by 5%, the forecast profit attributable to equity holders of the Company for the year ending December 31, 2009 will be not less than RMB1,148.7 million/RMB996.1 million, respectively, i.e. 7.1% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of investment properties rises/declines by 10%, the forecast profit attributable to equity holders of the Company for the year ending December 31, 2009 will be not less than RMB1,225.1 million/RMB919.8 million, respectively, i.e. 14.2% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of investment properties rises/declines by 15%, the forecast profit attributable to equity holders of the Company for the year ending December 31, 2009 will be not less than RMB1,301.4 million/RMB843.4 million, respectively, i.e. 21.4% higher/lower, respectively, than the targeted forecast profit.

The above sensitivity illustrations are intended for reference only, and any variation could be different from and could exceed or fall short of the ranges given. The above sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in the level of revaluation of investment properties. The profit forecast is subject to further and additional uncertainties generally. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value gains on our investment properties for the year ending December 31, 2009, the actual fair value gains or losses on our investment properties for that year may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control.

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REGULATORY OVERVIEW

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our Group’s operations and business. These include PRC laws and regulations relating to land, real property development, foreign investment in property development, foreign exchange control, taxation, property management and hotel.

THE LAND SYSTEM OF THE PRC

All land in the PRC is either State-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is State-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively-owned. The State has the right to resume land in accordance with law if required for the benefit of the public. Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold, lease and develop land for which they are granted land use rights in accordance with relevant PRC laws and regulations.

In April 1988, the Constitution of the PRC (the “**Constitution**”) (《中華人民共和國憲法》) was amended by the National People’s Congress (全國人民代表大會) to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law (《中華人民共和國土地管理法》) of the PRC was amended by the Standing Committee of the National People’s Congress to permit the transfer of land use rights for value.

Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (“**Urban Land Regulations**”) promulgated in May 1990 by the State Council (國務院), local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium.

Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

<u>Maximum period use of land</u>	<u>In years</u>
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Urban Land Regulations, all domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

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Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (《國土資源部關於加強城市建設用地審查報批工作有關問題的通知》) promulgated by the Ministry of Land and Resources on September 4, 2003, from the day of issuance of the Notice, the grant of land use rights for luxurious commodity properties shall be stringently controlled, and applications of land use rights for villas will no longer be accepted. In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council (國務院辦公廳) issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) on April 29, 2004.

The notice addresses issues including, (i) continuing the rectification of the land market by cooperation between the PRC Ministry of Land and Resources (中華人民共和國國土資源部) and other authorities on problems existing in the grant of State-owned land use rights for business use by way of tender, auction or listing-for-sale; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On March 26, 2005, the General Office of the State Council promulgated a Notice on Effectively Stabilizing House Prices (《關於切實穩定住房價格的通知》) to restrain the excessive growth of house prices and promote the sound development of the real estate market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the MOHURD issued an Opinion on Duly Stabilizing the Prices of Residential Properties (《關於做好穩定住房價格工作的意見》) on May 9, 2005. The opinion stated, amongst the others, that: (i) Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity property at medium or low price range and economical housing should be emphatically increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted; (ii) to curb any speculation in the real estate market, business taxes would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof, while business taxes would be exempted for the transfer of an ordinary residential property as stipulated by relevant PRC laws after two years from date of purchase; and (iii) the real estate

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registration department will no longer register the transfer of apartment units which have been pre-sold but have not obtained the relevant Real Estate Ownership Certificates.

On May 24, 2006, the General Office of the State Council further issued a Notice on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》). The notice provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (as of June 1, 2006, business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any non-ordinary property sold after five years); (iii) restrict housing mortgage loan to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villas projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and construction area also must consists of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the MOHURD); and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. To the developers with a large amount idle land and vacant commodity properties, commercial banks should restrict the grant or extension of revolving credit facilities in any form pursuant to the prudence principle. Commodity buildings which are vacant for more than 3 years should not be accepted as an object of pledge by the commercial banks.

On May 30, 2006, the Ministry of Land and Resources published an urgent notice to tighten up land administration (《關於當前進一步從嚴土地管理的緊急通知》). 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 up 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 required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006. The land authority should rigidly execute the “Model Text of the State-owned Land Use Rights Grant Contract” and “Model Text of the State-owned Land Use Rights Grant Supplementary Agreement (for Trial Implementation)” jointly promulgated by the Ministry of Land and Resources and the State Administration for Industry and Commerce, or the SAIC. The documents of the land assignment should ascertain the requirements of planning, construction and land use such as the restriction of the dwelling size, plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the Land-Use Rights Assignment Contract.

On July 6, 2006, the MOHURD promulgated a Supplemental Opinion on Carrying out the Residential Property Size Ratio in Newly-Built Residential Buildings (《關於落實新建住房結構比例要求的若干意見》) (the “**Supplemental Opinion**”). The Supplemental Opinion provides that as of June 1, 2006, as to the total area of the newly approved and newly commenced construction projects in each city including town and county in any given year, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). In the case of residential property projects that were

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granted approvals before June 1, 2006 but without a construction work permit by that date, the relevant local governments should ensure that the prescribed residential property size ratio requirement is complied with.

On September 30, 2007, the Ministry of Land and Resources issued Notice on Implementation of the State Council’s Certain Opinions on Resolving Difficulties and Further Strengthening Macro-control of Land Supply (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property developers. Property developers shall develop their land according to the terms of the relevant land grant contract, and any violation thereof may restrict or prevent such property developers from participating in future land bidding. Generally, the development period of each parcel of land shall not exceed three years.

In order to control the land market and promote reasonable land utility, the Ministry of Land and Resources, the Ministry of Finance and the People’s Bank of China (the “PBOC”) jointly promulgated the Administration Measures on Land Reserve (《土地儲備管理方法》) on November 19, 2007, which regulates the earlier stage land development and land reserve by land reserve entities which are affiliates of the land and resources authorities at city or county level, before the land and resources authorities grant land according to relevant laws and regulations. The enterprises shall be elected through public tender to conduct the earlier stage land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

On January 3, 2008, the State Council issued a Notice on Promoting the Saving and Intensification of Use of Land (《關於促進節約集約用地的通知》) with respect to the collection of value-added 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 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 a value-added land premium should be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by the Ministry of Land and Resources and other authorities. And the notice also requires the use of a public bidding process in selecting companies to assist the local governments with earlier stage land development work. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterates the current rules on idle land.

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RECENT INCENTIVE MEASURES OF PROPERTY MARKET

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued a Notice on Adjusting the Taxation Policies with Regard to Real Estate Transaction (《關於調整房地產交易環節稅收政策的通知》), effective as of November 1, 2008, which aims to reduce the personal taxation burdens on housing transaction and encourage first-time buyers in purchasing ordinary residential properties. The taxation policies stipulated by the notice are as follows:

- for first time home buyers of ordinary residential property with a unit floor area of less than 90 sq.m., the deed tax is lowered to 1%, and the certification for the first home buying will be issued by the local housing and construction authorities at county or district level;
- the stamp duty is exempted for individual residential property purchase or sale; and
- the LAT is exempted for individual residential property sale.

On October 22, 2008, the PBOC announced the Measures to Lower House Mortgage Rates and Encourage the First Home Purchase of Ordinary Residential Properties (《擴大商業性個人住房貸款利率下浮幅度、支持居民首次購買普通住房》). According to the measures, effective as of October 27, 2008, the minimum mortgage loan rates can be as low as 70% of the benchmark lending rates for house mortgage loans and the minimum down payment ratio is lowered to 20%. Financial institutions shall determine the lending interest rates and the down payment ratios taking into consideration factors including, without limitation, whether the buyer is a first-time buyer, whether the property is to be self-used by the buyer, whether the property is ordinary residential property and the home buyer’s credit records and repayment capability. For buyers purchasing their first self-use home of ordinary residential property or buying self-use ordinary residential property for improvement, financial institutions shall support the buyers’ loan demands at the favorable lending interest rates and down payment ratios; and shall appropriately raise the standards of lending for purchase of properties not for self-use or other than ordinary residential properties.

On December 6, 2008, the CBRC issued the Guidelines on Risk Management of M&A Loans of Commercial Banks (《商業銀行並購貸款風險管理指引》), allowing commercial banks to provide loans to enterprises conducting acquisitions within China and abroad.

The State Council issued the Opinions on Finance to Boost the Economic Development (《關於當前金融促進經濟發展的若干意見》) on December 8, 2008, which provides that relevant credit policies and measures shall be stipulated and performed to support first-time home buyers’ purchases of ordinary residential properties and second-time home buyers’ purchases of ordinary residential properties for improvement, experiments of real estate investment trusts may be carried out, and the financing channels for real estate developers shall be broadened.

On December 20, 2008, the General Office of the State Council promulgated the Several Opinions Concerning Boosting 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》), which provides incentives to build more houses for low-income urban families, encourage purchasing of ordinary residential properties, support real estate

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developers to actively deal with the changing market, enhance the responsibility of local governments in stabilizing the real estate market, and improve surveillance on the real estate market. The relevant policies include:

- providing favorable loan terms similar to those for first-time home buyers to the second-time home buyers whose existing ordinary residence is smaller than the average size in the locality of such home buyers;
- giving business tax exemptions under certain conditions before December 31, 2009;
- supporting developers reasonable financing needs and increasing credit help for developers of low-price units catering to low-income groups; and
- abolishing the urban real estate tax (城市房地產稅), applying to all domestic enterprises, foreign-invested enterprises and individuals the Interim Regulations of the People’s Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》).

As of December 23, 2008, the PBOC lowered the one-year benchmark lending rate to 5.31%. In addition, effective December 25, 2008, the reserve requirement ratio is lowered by 0.5%.

On December 29, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued the Circular Concerning Business Tax on Personal Real Estate Transfer (《關於個人住房轉讓營業稅政策的通知》), according to which, from January 1, 2009 to December 31, 2009, business tax shall be levied on the entire sale price of any non-ordinary house sold within two years of its purchase or on the difference between the transfer price and the original price for any transfer of non-ordinary house after two or more years of its purchase or ordinary house within two years of its purchase, while business tax would be exempted for the transfer of an ordinary residential property after two years from the date of purchase.

On December 31, 2008, the State Council announced that as of January 1, 2009, the Provisional Regulations on Urban Real Estate Tax (《城市房地產稅暫行條例》) is repealed and the Interim Regulations of the People’s Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) is to be applied to all domestic enterprises, foreign-invested enterprises and individuals.

On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), decreasing the minimum percentage of capital funding for any affordable housing projects and ordinary commodity residential properties from 35% to 20%. The minimum percentage of capital funding for other real estate development projects is decreased from 35% to 30%.

According to the Opinions on Promoting the Sound Development of the Real Estate Market of Fuzhou (for One Year Trial Implementation) (《關於促進福州市房地產市場健康穩定發展的若干意見》(試行一年)) issued by Fuzhou city government and effective as of November 1, 2008, the following measures have been taken by the Fuzhou city government:

- Ordinary residential properties should meet the following conditions to be qualified to enjoy preferential policies: (i) the plot ratio of the residential community is more than 1.0,

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(ii) the unit floor area is 144 sq.m. or less, and (iii) the actual transaction price is less than 1.44 times of the average price in the same section. The maximum limit of the actual transaction price, calculated jointly by the Fuzhou housing authorities and other relevant authorities, shall be publicly published annually.

- The stamp duty shall be temporarily exempted for individual residential property purchase or sale, and the LAT shall be temporarily exempted for individual residential property sale. Individuals who sell their ordinary residential properties held for more than two years shall be temporarily exempted from business tax and individuals who sell their self-used residential properties for more than two years shall be temporarily exempted from individual income tax.
- The land premium shall be paid in three installments in the amount of 40%, 30% and 30%, respectively, of the total land premium within 60 days, 120 days and 180 days, respectively, from the date of the land grant contract.

On October 22, 2008, the General Office of Shanghai People's Government issued the Opinions on Promoting the Sound Development of the Real Estate Market of Shanghai (《關於促進本市房地產市場健康發展的若干意見》), under which, effective from November 1, 2008 to December 31, 2009: (i) individuals who sell their ordinary residential properties held for more than 2 years shall be exempted from business tax, (ii) individuals who sell their sole self-used residential property that they have owned for more than two years shall be exempted from individual income tax, (iii) the registration fee for individual ordinary residential property purchase and the transfer fee for individual stock ordinary residential property sale or purchase shall be exempted, and (iv) the general land use planning and annual land use schedule shall be strictly implemented, land supply shall be strengthened, and the land supply for commodity property projects shall be strictly controlled.

The Municipal Finance Bureau and other relevant authorities of Shanghai have adjusted the standards of ordinary residential properties of Shanghai enjoying preferential policies as of November 1, 2008 as follows: (i) high-rise buildings of at least five floors with single unit floor area of less than 140 sq.m., (ii) the total price is less than 2.45 million RMB per unit for houses within the inner ring, the total price is less than 1.4 million RMB per unit for houses between the inner and outer rings, and the total price is less than 0.98 million RMB per unit for houses outside the outer ring, and (iii) old apartments, new-fashioned or old-fashioned lanes and alleys of less than five floors.

Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

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In Shanghai, on May 21, 2001, the Shanghai Municipal Government (上海市人民政府) updated The Shanghai Land Use Rights Grant Measures (《上海市土地使用權出讓辦法》) (the “**Shanghai Measures**”), which took effect from July 1, 2001. On November 27, 2008, the Shanghai Municipal government further amended the Shanghai Measures as effective on January 1, 2009. According to provisions of the Shanghai Measures, the land use rights to be used for the projects relating to commercial, tourism, entertainment, financial, service and commodity residential properties shall be obtained by way of public tender or auction. However, if the grant of land use rights is approved by Shanghai Municipal Government (上海市人民政府), grant by way of agreement is also allowed as an exception. However, upon the effectiveness of the Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》) (the “**Land Use Grant Rules**”) as of July 1, 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential properties can only be granted through tender, auction or listing-for-sale. A number of measures are provided by the Land Use Grant Rules to require that (i) such grant of land for commercial use is conducted openly and fairly, for instance, the local land bureau, when deciding on land use purpose of a certain piece of land, must take into account various social, economic and planning considerations, and its decision of land use designation is subject to approval by the city or provincial government; (ii) the announcement of tender, auction or putting up for bidding be made 20 days prior to the date of beginning the tender, auction or putting up for bidding; and (iii) for putting up of bidding, the time period of accepting bidding not to be less than ten days.

In accordance with the Regulations on the Grant of State-owned Land Use Rights for Construction through Competitive Bidding, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) issued by the Ministry of Land and Resources on September 28, 2007 and effective November 1, 2007, land for industrial use, commercial use, tourism, entertainment, and commodity housing development shall be granted by means of competitive bidding, auction or listing-for-sale. No land use rights certificates shall be issued before all the land premium has been fully paid up pursuant to the land grant contract and the land use rights certificates shall not be issued separately according to the proportion of the payment of the land premium.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can to the utmost extent satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of listing-for-sale, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

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On March 16, 2007, the National People’s Congress promulgated the Properties Rights Law of the People’s Republic of China (《中華人民共和國物權法》) (the “**Properties Rights Law**”) effective October 1, 2007, which stipulates that the construction land use rights may be created through grant or allotment, etc. As regards the land used for purposes of industry, business, entertainment or commercial residential, etc. as well as the land with two or more intended users, the land thereof shall be granted through such means as tender, auction or listing-for-sale. It is severely restrained to create the construction land rights through allotment.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》). According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or putting up for bidding.

To implement the Properties Rights Law and the Notice on Promoting the Saving and Intensification of Use of Land, on April 29, 2008, the Ministry of Land and Resources and the SAIC jointly issued the “Model Text of the State-owned Construction Land Use Rights Grant Contract” (《國有建設用地使用權出讓合同示范文本》) effective July 1, 2008. The model text of the land grant contracts stipulates and emphasizes that the assignee could not register the right to use the state-owned construction land unless it has paid off all land premium in accordance with the land use rights grant contract, and that the area of land not used for production should not exceed 7% of the total area of the industrial land. The model text ascertains the planning requirements for residential property construction with unit floor area of 90 sq.m. or below as well. All these should also be set forth in the Land Use Rights Grant Contract. Moreover, the process of commodity residential property developments shall take no longer than three years in principle. Such process can be postponed for one year if such extension is permitted by the assignor.

Withdrawal of Land

According to the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》) (the “**Urban Real Property Law**”) as promulgated and amended by the Standing Committee of the National People’s Congress on July 5, 1994 and August 30, 2007 respectively, where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of development set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20 per cent of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the

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commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development. According to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, a parcel of land can be defined as idle land under any of the following circumstances:

- (i) after obtaining the land-use rights, the development and construction of the land has not begun within the time limit for commencement of the development as stipulated without the consent of the people’s government that originally approved the use of the land;
- (ii) the “Contract on Lease of the Right to Use State-Owned Land” does not stipulate or the “Approval Letter on Land Used for Construction” does not prescribe the date of starting the development and construction, and the development and construction of the land has not begun at the expiry of one year from the day when the “Contract on Lease of the Right to Use State-owned Land” became effective or when the administrative department of land issued the “Approval Letter on Land Used for Construction”;
- (iii) the development and construction of the land has begun, but the area of and construction is less than one third of the total area to be developed and the invested amount is less than 25% of the total amount of investment, in addition, development and construction has been continuously suspended for one year without approval; or
- (iv) other circumstances prescribed by laws and administrative regulations.

Where the land is deemed “idle land”, relevant municipal or county land administrative departments (“**Land Administrative Authorities**”) shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Land Administrative Authorities are responsible for implementing the disposal plan after such plan has been approved by the government which originally approved the use of the land.

The methods of disposal of idle land include, among others, the following:

- i. extending the development and construction period by no more than one year;
- ii. changing the use of the land, and continuing development and construction upon handling certain procedures; and
- iii. arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions, where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value.

Where the land is idle due to acts of government or relevant government departments and the land user has partly paid the compensation or requisition fee for the land, in addition to the methods provided above, the government may acknowledge the relevant land can be continuously used by the original land user for the part of land which the land user has paid the compensation or requisition fee; while the remaining part of the land will be withdrawn by the government.

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Transfer

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. Land use rights cannot be transferred, leased or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or country level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under the Urban Real Property Law, real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

Termination

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right. Upon expiry, the land use right and ownership of the related buildings erected thereon and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewed right.

The State generally will not withdraw a land use right before the expiration of its term of grant and for special reasons (such as in the public interests). If the State needs to withdraw a land use right for special reasons, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issue of a land use right certificate by the relevant authority to the land user. It is evidence that the land

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user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is achieved by the issue of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) (“**Real Estate Ownership Certificate**”) to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Properties Rights Law (《物權法》), the Land Registration Measures (《土地登記辦法》) promulgated by the Ministry of Land and Resources on December 30, 2007 and effective on February 1, 2008, and the Building Registration Measures (《房屋登記辦法》) promulgated by the MOUHURD on February 15, 2008 and effective on July 1, 2008, all land use rights and building ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Xiamen, Shanghai, Shenzhen and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

Mortgage and Guarantee

The grant of mortgages in the PRC is governed by the Security Law of the PRC (《中華人民共和國擔保法》) (the “**Security Law**”), promulgated by the Standing Committee of the National People’s Congress on June 30, 1995 and effective October 1, 1995, and by relevant laws regulating real estate. Under the Security Law, any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use right certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount still outstanding through arbitration) in the PRC.

Leasing

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon. However, leasing of land use rights obtained by allocation (劃撥) and of buildings on such allocated land is regulated by the Urban Land Regulations.

Leasing of urban real properties is also governed by the Measures for Administration of Leasing of Urban Buildings (《城市房屋租賃管理辦法》) (the “**Measures**”) promulgated by the MOHURD on May 9, 1995 and enforced on June 1, 1995, which was formulated in accordance with the Urban

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Real Property Law. Under the Measures, owners of buildings in the PRC are entitled to lease their buildings, and landlord and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property administrative authority at municipality or country level within 30 days after its execution. A contract cannot be longer than the remainder of the term under the land grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Urban Real Property Law, where the owner of a house built on state owned land leases his/her property and that the land use rights were obtained through allocation for the purpose of profit making, any proceeds derived from the land in the form of rent must be paid to the State.

Resettlement

Pursuant to the City Housing Resettlement Administration Regulations (《城市房屋拆遷管理條例》) promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the “**Resettling Party**”) should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority will issue a resettlement notice after granting the resettlement permit, detailing the parties concerned, the properties affected and the period of the resettlement. The Resettling Party will then enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and GFA. If the Resettling Party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the people’s court within three months from the ruling if they contest the ruling.

In order to prevent illegal demolition and removal, and overheating investment in some areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (《關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知》) on June 6, 2004. The notice addresses issues including, but not limited to, the following: (i) strictly controlling the area of demolition and removal to ensure that the total area of demolition and removal is less than that of the previous year; (ii) strictly administering the procedures of demolition and removal, such procedures to be carried out in an open, fair and just manner; (iii) strengthening the supervision and administration of the compensation costs incurred for the demolition and removal, and ensuring the completion of the relocation; and (iv) strictly punishing certain illegal actions in relation to the demolition and removal.

Property Development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. A large tract development project consists of comprehensive development of an area to be suitable for industrial, leveling of the land and construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area, or construct buildings on the land itself and sell or lease the buildings thereon.

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Once the developer identifies a piece of land for development, it has to apply for a construction land planning permit (建設用地規劃許可證) from the relevant planning commission. Once this certificate is obtained, the developer will have to submit a detailed plan for the design of buildings and construction in order to obtain construction works planning permit (建設工程規劃許可證) and work commencement permit (建築工程施工許可證).

According to the City and Countryside Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》), promulgated on October 28, 2007 and effective on January 1, 2008 by the Standing Committee of the National People’s Congress, the competent planning authorities of a city or county shall, before granting state-owned land use rights in planning area, set down such planning requirements as location, usage, extent of development, which shall be included in the land use right grant contracts. Land use rights shall not be granted if the planning requirements have not been set. After executing the state-owned land grant contract, a real estate developer shall submit approval, verification or registration documents of a construction project to and apply for Construction Land Planning Permit from competent planning authorities of a city or county. The competent planning authorities of a city or county shall not, at their discretion, alter the planning requirements which are included in the state-owned land grant contract. If the planning requirements are not incorporated into a state-owned land grant contract, such contract is invalid. If any land has been occupied, such land shall be returned promptly.

According to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated and implemented by State Council on January 30, 2000, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the MOHURD in April 2000 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) promulgated and enforced by the MOHURD on June 30, 2000, after completion of construction of a project, a property developer shall apply for the acceptance examination upon completion to the property development authority under the people’s government at the county level or above and report details of the acceptance examination, upon which a “Record of Acceptance Examination upon Project Completion” (工程竣工驗收備案表) will be issued.

Environmental Protection

The laws and regulations governing the environmental requirements for real estate development 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 these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

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Pre-sale and Sale

Pursuant to the Urban Real Property Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (《城市商品房預售管理辦法》) (the “**Administrative Measures**”) promulgated by the MOHURD on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, respectively, commodity properties which have not been completed may be sold when certain conditions and/or requirements are satisfied.

Pre-sale of commodity properties is regulated by an approval system. Developers who intend to pre-sell their commodity properties shall apply to the relevant Real Estate Administration Department of the People’s Government at city or county level (市、縣人民政府房地產管理部門) and obtain a pre-sale permit.

When commodity properties are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

- i. the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;
- ii. the construction works planning permit and the work commencement permit must have been obtained;
- iii. funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and
- iv. the pre-sale permit must have been obtained.

Pursuant to the Administrative Measures Governing the Sale of Commodity Properties (《商品房銷售管理辦法》) promulgated by the MOHURD on April 4, 2001 and effective on June 1, 2001, the MOHURD and its local branches supervise the sale of commodity properties, including both sale of completed commodity properties and pre-sale of underlying commodity properties.

When completed commodity properties are sold, the following requirements shall be satisfied according to the Administrative Measures Governing the Sale of Commodity Properties: the property developer shall have obtained the qualification certificate for real estate developers, land use rights certificates, the construction works planning permit, the work commencement permit and acceptance examination upon project completion; resettlement must have been implemented; municipal infrastructure, such as water, power, heating and gas supply and communication facilities must have been deliverable, and other municipal infrastructure and public facilities must have been deliverable or the progress of works and the delivery date have been ascertained; and property management scheme must have been carried out.

Property developers shall not sell the commodity properties while promising to return the principal of the purchase price to the purchases, or pre-sell the commodity properties while promising to lease back the commodity properties. Given the violation of the rules aforesaid, the property developers may be issued a warning, ordered to correct within a specified time, and be subject to a fine of not less than RMB10,000 and not more than RMB30,000.

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Under the Regulations on Administration of Commodity Property Pre-sale of Xiamen (《廈門市商品房預售管理規定》) issued by the People’s Government of Xiamen on September 30, 2001 and effective on January 1, 2002, property developers should fulfill the following requirements before pre-selling commodity properties:

1. the land premium has been paid in full and the land use rights certificates have been obtained;
2. the construction works planning permit and work commencement permit have been obtained;
3. the construction agreements have come into effect and the progress of works and the completion and delivery dates have been ascertained;
4. the funds invested in the development of the commodity properties put to pre-sale represent 25% or more of the total investment in the project;
5. for commodity property consisting of three storeys or less, the basic foundation work and the structural construction of the building must have been completed, for commodity property consisting of four storeys or more with basement, the basic foundation work and at least the first floor of the structural construction must have been completed, while for commodity property consisting of four storeys or more without basement, the basic foundation work and at least four storeys must have been completed; and
6. the pre-sale must have been registered and the pre-sale permits have been obtained.

Under the Regulations on the Property Transfer of Shanghai (《上海市房地產轉讓辦法》) issued by the People’s Government of Shanghai on April 30, 1997 and as amended on September 20, 2000 and April 21, 2004 respectively, and the Approval Concerning the Adjustment of the Standard of Project Progress for the Pre-sale of Commodity Properties (《關於同意調整商品房預售應達到的工程進度標準的批復》) issued by the People’s Government of Shanghai on September 18, 2000, the following requirements shall be fulfilled for pre-sale of commodity properties by the property developer:

1. the land premium in respect of the land use rights acquired by way of grant must be paid in full;
2. the land use rights must be properly registered and the land use rights certificates must have been obtained;
3. the construction works planning permit must have been obtained;
4. the work commencement permit must have been obtained;
5. for commodity property consisting of seven storeys or less, the basic foundation work and the main structural construction of the building must have been completed, while for commodity property consisting of eight storeys or more, the basic foundation work and at least two-thirds of the main structural construction must have been completed and at least seven storeys must have been completed in any event;

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6. the date of completion of the project for use must have been ascertained and the corollary construction planning of municipal works, public works and public architectural facilities have been ascertained;
7. the agreement of pre-sale payment escrow must have been entered into with the local institutions engaging in property project capital supervision; and
8. the property use convention must have been formulated and the prophase property management agreements must have been reached with property management enterprises.

According to the Provisional Regulations on Administration of Commodity Property Pre-sale of Fujian (《福建省商品房預售管理暫行辦法》) issued by the People’s Government of Fujian on December 14, 2005 and effective on January 1, 2006, uncompleted commodity properties may not be pre-sold only until the following conditions has been satisfied:

1. the land premium has been paid in full and the land use rights certificates have been obtained;
2. the construction works planning permit and work commencement permit have been obtained;
3. the funds invested in the development of the commodity properties put to pre-sale represent 25% or more of the total investment in the project, and in respect of project progress, at least one-fifth of the total storeys of the building have been completed; and
4. the progress of works and the completion and delivery dates have been ascertained.

In accordance with the Development Regulations (as defined below) (《城市房地產開發經營管理條例》) and the Notice on Facilitating Sustained and Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) issued by the People’s Government of Anhui on March 8, 2004, commodity properties may be sold before completion only if:

1. the land premium has been paid in full and the land use rights certificates have been obtained;
2. the construction works planning permit and work commencement permit have been obtained;
3. the funds invested in the development of the commodity properties 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 ascertained;
4. in respect of the project progress, at lease the first floor has have been completed; and
5. the pre-sale must have been registered and the pre-sale permits have been obtained.

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Real Estate Loans

On June 5, 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (《關於進一步加強房地產信貸業務管理的通知》). According to the notice, the commercial banks shall focus their business towards supporting real estate projects targeted at mid to lower-income households and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villas. The notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real estate developer’s own capital in any proposed real estate project should not be less than 30% of the total investment of the project. The notice also prohibits loans advanced for the payment of land premium for land use rights.

On August 12, 2003, the State Council published the Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market (《國務院關於促進房地產市場持續健康發展的通知》), which provides a series of measures to control the real estate market, including but not limited to increasing the supply of common residential houses, controlling the construction of high-end commodity properties, and strengthening the supervision of the real property administration. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

On September 2, 2004, the CBRC issued a Guideline for Commercial Banks of Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》). According to the guideline, no loan shall be granted to projects which have not obtained the land use right certificate, construction land planning permit, construction works planning permit and work commencement permit. The guideline also stipulated that not less than 35% of the total investment in a property development project must come from the real estate developer’s own capital for the project (項目資金) in order for banks to extend loans to the real estate developer. In addition, the guideline requires commercial banks to set up strict approval systems for loan grants.

On March 16, 2005, PBOC promulgated a Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) which canceled the preferential mortgage lending interest rate for individuals and restricted the minimum mortgage loan rate at 0.9 times of the benchmark rate. The PBOC also increased the public housing fund rate (公積金貸款利率) by 0.18% and permitted commercial banks to decrease mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where the property prices are increasing too rapidly. In June 2005, the PBOC Shanghai Branch also categorized real estate loans as loans which should be granted with “caution” in its Guideline for Credit Loans of 2005 (《上海市信貸投向指引》(2005)). The PBOC further raised its benchmark lending interest rate by 0.27% to 5.58% for one-year Renminbi loans with effect from April 28, 2006. The lending interest rates for other various terms were also raised accordingly. The PBOC announced on June 16, 2006 to increase the reserve ratio of commercial banks by 0.5%. Agricultural credit organizations including agricultural cooperative banks can remain the current reserve ratio.

In accordance with the Circular on Strengthening Commercial Real Estate Loan Administration (《關於加強商業性房地產信貸管理的通知》) jointly issued by the PBOC and CBRC on September 27, 2007,

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when a borrower applies for individual home loans for his first self-used residential unit with gross floor area more than 90 square meters, the first installment is still subject to 30%; in respect to his loan application for additional purchase of residential unit(s), the first installment should not be less than 40%, the loan interest should not be lower than 1.1 times of the benchmark lending rate published by the PBOC in the same period and at the same level and the amount of the first installment and interest of the loan should be increased largely based on the number of the purchased apartments. The detailed level of increase should be decided by commercial banks according to the loan risk management principals. The first installment of the commercial flat loans should not be less than 50% with a maximum loan period of 10 years, and the loan interest should be no less than 1.1 times of the benchmark lending rate published by the PBOC at the same period and level. The detailed level of first installment, period of loan and interest level should be decided by commercial banks according to the loan risk management principals. To the loan application for commercial-resident apartment, the first installment should be no less than 45% and the loan period and interest should be decided according to the commercial flat loan management rules.

On December 5, 2007, the PBOC and CBRC jointly issued the Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans (《關於加強商業性房地產信貸管理的補充通知》), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor child.

On July 29, 2008, the PBOC and CBRC jointly issued the Notice Relating to the Financial Promotion of Economized and Intensive Land Use (《關於金融促進節約集約用地的通知》). The major provisions of the notice are as follows:

- Land funded by a loan shall be obtained legally, in compliance with general land use planning, urban and rural planning, and the relevant industry planning. In the case of new land for development, such land must also fit into the annual land use schedule. It is forbidden to extend a loan to a project which does not comply with the relevant planning requirements, or to a project not in compliance with relevant PRC land laws and regulations. It is strictly forbidden to extend loans to any project listed on the National Forbidden Land Use Projects List (《禁止用地項目目錄》). In the case that a loan has already been extended to such a project, the bank in question must take necessary remedial measures, and gradually withdraw said loan. With regard to projects listed on the National Restricted Land Use Projects List (《限制用地項目目錄》), loans should be extended with due caution.
- It is forbidden to extend loans to real estate development enterprises to be used exclusively for the payment of land premiums. For land reserve loans in which a mortgage has been taken out, legal land use rights certification must be obtained. In such cases, the mortgage rate shall not exceed 70% of the overall estimated value of the mortgaged property, and the terms of such loans shall, in principle, not exceed two years. Due caution should be taken in extending loans to enterprises which have exceeded the construction period as stipulated in the land grant contract by more than one year, have developed less than one third of the land in question, or have invested less than one fourth of the agreed capital. In addition, strict controls should be employed when extending the terms of loans or rolling over credit to such enterprises. It is forbidden to extend loans to, or accept construction

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land which has been classified as idle by the land authorities for two years or more as collateral from real estate projects.

Insurance of a Property Project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

ESTABLISHMENT OF A PROPERTY DEVELOPMENT ENTERPRISE

According to the Urban Real Property Law, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (《城市房地產開發經營管理條例》) (the “**Development Regulations**”) promulgated and implemented by the State Council on July 20, 1998, a property developer shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer. Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the administration authority for industry and commerce. The property developer must also report its establishment to the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (《國務院關於調整部分行業固定資產投資項目資本金比例的通知》) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding economical housing projects) has been increased from 20% or above to 35% or above.

On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), decreasing the minimum percentage of capital funding for any affordable housing projects and ordinary commodity residential properties from 35% to 20%. The minimum percentage of capital funding for other real estate development projects is decreased from 35% to 30%.

FOREIGN INVESTMENT IN PROPERTY DEVELOPMENT

The Urban Land Regulations state that foreign entities may acquire land use rights in China unless the law otherwise provides. However, in order to develop the land acquired, foreign investment enterprises in the form of equity or co-operative joint ventures or wholly foreign-owned enterprises must be established.

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According to the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) promulgated by the Ministry of Commerce (the “MOFCOM”) and the National Development and Reform Commission (the “NDRC”) on November 30, 2004, effective on January 1, 2005 (the “Catalogue”), (i) the development and construction of ordinary residential properties falls within the category of industries in which foreign investment is encouraged, (ii) the development of a whole land lot (limited to equity joint ventures and cooperative joint ventures) as well as the construction and management of high-class hotels, villas, premium office buildings, international conference centers and large theme parks and golf courses falls within the category of industries in which foreign investment is subject to restrictions, and (iii) other property development falls within the category of industry in which foreign investment is permitted.

On October 31, 2007, the MOFCOM and the NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective December 1, 2007, under which the development and construction of ordinary residential properties is removed from the category of industry that foreign investment is encouraged, whereas the secondary market transactions in property sector, by property intermediaries or agents fall under the category of industry that foreign investment is subject to restrictions and the construction and management of golf courses is forbidden from foreign investment. A foreign-invested property enterprise can be established in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly owned enterprise by foreign investors. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which an Approval Certificate for a Foreign-Invested Enterprise will be issued.

On July 11, 2006, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the State Administration of Foreign Exchange (the “SAFE”) jointly promulgated the Opinion on Regulating the Admittance and Administration of Foreign Capital in the Property Market (《關於規範房地產市場外資准入和管理的意見》). According to this Opinion, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- (i) Foreign institutions or individuals who buy property not for their own use in China should follow the principle of “commerce existence” and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope.
- (ii) Foreign investors may not carry out property development and operation business until they obtain the Approval Certificates for a Foreign-invested Enterprise and business licenses from relevant authorities.
- (iii) Where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.
- (iv) For establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce authorities shall be responsible of the approval and registration of the foreign-invested property enterprise and the issuance of a

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temporary approval certificate for a foreign-invested enterprise (which is only effective for one year) and a temporary business license. Upon full payment of the land grant fee for the land-use rights, the foreign-invested property enterprise should apply for the land use rights certificates. With such land use rights certificates, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise.

- (v) Transfers of projects or equity interests in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: a) a written undertaking of fulfillment of the contract for State-owned land use rights grant contract, construction land planning permit and construction works planning permit; b) land use rights certificates; c) documents evidencing the filing for modification with the construction authorities; and d) documents evidencing the payment of tax from the relevant tax authorities.
- (vi) When acquiring domestic property enterprises by way of shares transfer or otherwise or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.
- (vii) Offshore entities without an onshore branch or representative agency, or foreign individuals who have studied or worked in the PRC for less than one year, are not allowed to purchase commercial properties and commercial properties.

On August 14, 2006, the General Office of MOFCOM enacted the Notice on Relevant Issues Concerning the Carrying out Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property 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》). According to the Notice, if the total investment of a foreign-invested property development enterprise exceeds US\$3 million, the registered capital must not be less than 50% of the total estimated investment; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total estimated investment. When a foreign investor who merges with a domestic property development enterprise by way of, among others, transferring equity or purchasing equity from other Chinese shareholders of a foreign-invested property development enterprise, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off within three months respectively after the earlier of the issue of the business license or the effective day of the equity transfer agreement.

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On May 23, 2007 the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which made the following requirements for approval and supervision of foreign investment in real estate:

- (i) foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;
- (ii) before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;
- (iii) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- (iv) acquisitions of real estate entities and foreign investment in real estate sector in a way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- (v) parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- (vi) registration shall be immediately effected according to applicable laws with the MOFCOM regarding to the setup of real estate entities with foreign investment approved by local PRC governmental authorities;
- (vii) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with the MOFCOM or fail to pass the annual reviews; and
- (viii) for those real estate entities, which are wrongfully approved by local authorities for their setups, (i) the MOFCOM should carry out investigation, order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out for them foreign exchange registrations.

On July 10, 2007, the SAFE issued the Notice Regarding the Publication of the First Group of Property Development Projects with Foreign Investment that have Properly Registered with the MOFCOM (《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). This new regulation restricts the ability of foreign invested real estate companies to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The notice stipulates, among other things:

- (i) that the SAFE will no longer process foreign debt registration or foreign debt application for settlement of foreign exchange for real estate enterprises with foreign investment that obtained authorization certificate from and registered with the MOFCOM on or after June 1, 2007; and

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- (ii) that the SAFE will no longer process foreign exchange registration (or change of such registration) or application for settlement and sale of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from local government’s commerce department on or after June 1, 2007 but have not registered with the MOFCOM.

Following promulgation of the Verification and Approval of Foreign-invested Projects Tentative Administrative Procedures (《外商投資項目核准暫行管理辦法》) on October 9, 2004, the NDRC, on July 8, 2008, issued the Circular on Further Strengthening and Regulating the Administration of Foreign-invested Projects (《關於進一步加強和規範外商投資項目管理的通知》), restating that, projects in the encouraged category and permitted category with a total investment (including capital increase) of US\$100 million or above and projects in the restricted category with a total investment of US\$50 million or above shall be verified and approved by the NDRC while projects in the encouraged category and permitted category with a total investment of less than US\$100 million and projects in the restricted category with a total investment of less than US\$50 million shall be verified and approved by local development and reform departments. Such Circular expands its application to reinvestments made by foreign-invested enterprises.

On June 18, 2008, the MOFCOM issued the Circular on Duly Filing of Foreign Investment in Property Sector (《關於做好外商投資房地產業備案工作的通知》) effective July 1, 2008. The circular stipulates, among other things:

- (i) The MOFCOM authorizes commercial authorities at provincial level to check and examine the filing materials for foreign investment in real estate sector. After properly approving the establishment, capital increase, equity transfer or acquisitions of foreign-invested property enterprises, the local commercial authorities shall file relevant materials to commercial authorities at provincial level for examinations.
- (ii) Commercial authorities at provincial level shall comply with the following requirements to check the legality, authenticity and accuracy of relevant materials pursuant to the Opinion on Regulating the Admittance and Administration of Foreign Capital in the Property Market (《關於規範房地產市場外資注入和管理的意見》), the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) and other relevant regulations:
- The land use rights, housing ownership, land grant contracts or housing purchase agreements provided by the foreign-invested property enterprises have been legally obtained, real and effective;
 - The establishment or capital increase of foreign-invested property enterprises shall follow the principle of “commerce existence” and the foreign investment (including capital increase) is limited to the approved single property project;
 - The registered capital of a foreign-invested property enterprise shall be no less than 50% of its total investment amount;
 - Materials provided by the foreign-invested property enterprise shall evidence that its enterprise foreign shareholders are not established by domestic companies or

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individuals, and the companies shall not be related parties or controlled by the same entity or individual;

- Parties to foreign-invested property enterprises should not in any way guarantee a fixed investment return; and
 - The foreign-invested property enterprise shall make its investment according to the project progress in phases, and it shall provide its use of funds and the commitments to invest in phases.
- (iii) Commercial authorities at provincial level shall, together with other provincial authorities check and examine the above-mentioned filing materials pursuant to foreign investment laws and regulations and relevant property macro control measures, and shall fill the “foreign-invested property sector filing form” (外商投資房地產業備案表) and file it to the MOFCOM affixing official seals of the provincial people’s government general office and the provincial commercial authorities.
- (iv) The MOFCOM in principle will conduct spot checks on five to ten foreign-invested property enterprises together with other departments under the State Council on a quarterly and random basis.
- (v) The MOFCOM may inform the SAFE or its branches to cancel the registration of foreign exchange and foreign investment statistics of the foreign-invested property enterprise verified not in compliance with the existing PRC laws and regulations.

On August 29, 2008, the General Affairs Department of SAFE issued a Notice With Regard to the Issue of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accountancy firm. The designated banks should not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for foreign-invested real estate enterprises, foreign investment enterprises may not use funds in Renminbi obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act in

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compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested investment enterprises approved by the MOFCOM must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transferal of funds, must undergo examination and approval by the local branches of SAFE as provided by the relevant regulations.

QUALIFICATIONS OF A PROPERTY DEVELOPER

Classifications of a Property Enterprises’ Qualification

Under the Development Regulations, a property developer must record its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its business license. The property development authorities shall examine applications for classification of a property developer’s qualification by considering its assets, professional personnel and industrial achievements. A property enterprise shall only engage in property development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualifications of Property Developers (《房地產開發企業資質管理規定》) (the “**Provisions on Administration of Qualifications**”) promulgated by the MOHURD and implemented on March 29, 2000, a property developer shall apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualification shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property developer, after it reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate shall be effective for one year from its issuance while the property development authority may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

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The Business Scope of a Property Developer

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property developer may undertake a property development project anywhere in the country without any limit on the scale of property project. A property developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters and the specific scopes of business shall be as formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality.

The Annual Inspection of a Property Developer’s Qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer should be subject to annual inspection. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of a class 1 real estate developer’s qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange (國家外匯管理局) (“SAFE”), under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China (中國銀行) or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of the SAFE (國家外匯管理局).

On December 28, 1993, PBOC, under the authority of the State Council (國務院), promulgated the Notice of the People’s Bank of China Concerning Further Reform of the Foreign Currency Control System (《中國人民銀行關於進一步改革外匯管理體制的公告》), effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign

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Exchange (《結匯、售匯及付匯暫行管理規定》) (the “**Provisional Regulations**”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (“**Control of Foreign Exchange Regulations**”) which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “**Settlement Regulations**”) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (《外商投資企業實行銀行結售匯工作實施方案》). The announcement permits foreign invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (《關於停辦外匯調劑服務的通知》) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar

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traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《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》) which became effective as of November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, “**special purpose company**” (特殊目的公司) refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing with their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

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On September 1, 2006, SAFE and MOHURD jointly issued a Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》). The notice provides: (i) where a foreign-invested property enterprise fails to pay the registered capital in full or to acquire a state-owned land use rights certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve its settlement of foreign currencies; (ii) where a foreign institution or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) the domestic and foreign investors of a foreign-invested property enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) the fund in the foreign exchange account exclusive for foreign investor opened by a foreign institution or individual in a domestic bank shall not be used for property development or operation. The notice also provides for foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity properties within the PRC.

On December 25, 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法》) (the “**Measures for the Administration of Foreign Exchange**”). The Measures for the Administration of Foreign Exchange use category administration to classify the individual foreign exchange operations as domestic and overseas by participants of transaction, and current accounts and capital accounts by nature of transaction. The Measures for the Administration of Foreign Exchange set the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals, and provide different procedures for individuals who set foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On January 5, 2007, the SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法實施細則》) (the “**Detailed Rules**”) effective February 1, 2007. The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is USD50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange. (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue equity-interest, etc through qualified domestic institutional investors such as banks and fund management companies; and (iv) in case domestic individuals engage in such foreign exchange operations as a employee stock ownership plan or subscription option program of an overseas listed company, they can only deal with such options after completing the registration with the foreign exchange bureau through their company or domestic agency institutions.

The Control of Foreign Exchange Regulations were amended by the State Council on August 1, 2008 and came effective on August 5, 2008. Under the revised Control of Foreign Exchange

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Regulations, the compulsory settlement of foreign exchange is dropped. As long as the capital inflow and outflow under the current accounts are based upon real and legal transactions, individuals and entities may keep their income in foreign currencies inside or outside China according to the provisions and terms to be set forth by the SAFE. The foreign exchange income generated from current account transactions may be retained or sold to financial institutions engaged in foreign currency settlement and exchange. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions is subject to approvals from the SAFE or its branches, except for otherwise stipulated by the State. Foreign exchange or settled Renminbi of capital account must be used in the way as approved by the SAFE or its branches, and the SAFE or its branches are empowered to supervise the utility of the foreign exchange or settled Renminbi of capital account and the alterations of the capital accounts. The Renminbi follows a managed floating exchange rate in line with the market demand and supply. A domestic individual or entity who conducts the overseas direct investment or overseas issue and transaction of negotiable securities and derivative financial products shall file with competent authorities of the PRC. Furthermore, such individual or entity shall apply for the approval on such investment, issue or transaction from relevant authorities prior to the filing if otherwise required by relevant PRC laws and regulations.

TAXATION IN CHINA

Income Tax

According to the Income Tax Law of The People’s Republic of China for Foreign-invested Enterprises and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) which was promulgated by People’s National Congress (the “NPC”) on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by State Council on June 30, 1991, the income tax on enterprises with foreign investment should be computed on the taxable income at the rate of 30%, and local income tax should be computed on the taxable income at the rate of 3%, whereas foreign-invested productive enterprises established in economic special zones (including the Xiamen Economic Special Zone) should be applicable to a preferential income tax rate of 15%. Pursuant to the Provisional Regulations of the People’s Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅暫行條例》) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅暫行條例實施細則》) issued by the PRC Ministry of Finance on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises was 33%.

Under the Approval on Construction of Xiamen Economic Special Zone (《對福建省關於建設廈門經濟特區的批復》), enterprises established within the Xiamen Economic Special Zone should be applicable to a preferential income tax rate of 15%.

According to the New PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, enacted by the NPC on March 16, 2007 and effective since January 1, 2008, a uniform income tax rate of 25% should be applied to foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. This new tax law supersedes the Income Tax Law of the PRC for Foreign Invested Enterprises and Foreign Enterprises and the Provisional Regulation of the PRC on Enterprise Income Tax. Furthermore, unlike the Income Tax

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Law of the People’s Republic of China for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprise investors, the EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the EIT Law and the Implementation Rules of the People’s Republic of China on the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

The EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually transition to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax (《關於實施企業所得稅過渡優惠政策的通知》), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25% respectively in 2008, 2009, 2010, 2011 and 2012.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and the Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) issued by the Ministry of Finance on December 25, 1993. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China. On November 10, 2008, the State Council amended the Provisional Regulations Concerning Business Tax which will come effective as of January 1, 2009.

Land Appreciation Tax

According to the requirements of the Provisional Regulations of The People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) (the “**Land Appreciation Tax Provisional Regulations**”) which was promulgated by the State Council on December 13, 1993 and effected on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》) (the “**Land Appreciation Tax Detailed Implementation Rules**”) which was promulgated by the

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Ministry of Finance and came into effect on January 27, 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- (i) land acquisition costs;
- (ii) costs related to the development of land, new buildings and related facilities;
- (iii) expenses, including finance costs and selling and general administrative expenses, of the land development and project construction, the total of which is capped at 10% of the aggregate of (i) and (ii) above;
- (iv) the appraised price of any existing buildings and structures above ground;
- (v) taxes related to the assignment of the real property; and
- (vi) for taxpayers that are real property developers, a further deduction which is equal to 20% of the aggregate of (i) and (ii) above.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994 (《關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》) issued by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any of the following circumstances:

- (i) taxpayers construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences) and the appreciation amount does not exceed 20% of the sum of deductible items;
- (ii) property is taken back and repossessed according to laws due to the construction requirements of the State;
- (iii) due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- (iv) transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- (v) if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed before January 1, 1994, the LAT shall be exempted if the properties are transferred within 5 years after January 1, 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular properties projects which are approved by the government for the development

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of the whole lot of land and long-term development, of which the properties are transferred for the first time after the 5-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of the Ministry of Finance and the State Administration of Taxation.

On December 24, 1999, the Ministry of Finance and the State Administration of Taxation issued the Notice in respect of the extension of the period for the Land Appreciation Tax Exemption Policy (《關於土地增值稅優惠政策延期的通知》) that extended the period for the Land Appreciation Tax exemption policy as mentioned in paragraph (v) above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not force the property development enterprises to declare and pay the LAT. Therefore, the Ministry of Finance, State Administration of Taxation, MOHURD and the Ministry of Land and Resources had separately and jointly issued several notices to restate the following: after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof of payment or exemption from LAT from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax (《國家稅務總局關於認真做好土地增值稅徵收管理工作的通知》) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up a sound taxpaying declaration system for LAT, to modify the methods of pre-levying. The notice also pointed out that either for the properties development contract which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development before January 1, 1994, the privilege policy for LAT exemption for the properties that are transferred for the first time is expired, and such tax shall be levied again. This requirement is restated in the Notice of State on Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (《國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》) issued on August 5, 2004 by State Administration of Taxation. This notice as well as the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (《國家稅務總局關於加強土地增值稅管理工作的通知》) required that the system of tax declaration and tax sources registration in relation to the LAT should be further established and perfected.

On March 2, 2006, the Ministry of Finance and State Administration of Taxation issued the Notice on Several Points on Land Appreciation Tax (《關於土地增值稅若干問題的通知》) to clarify the relevant issues regarding LAT as follows:

- (i) As to the tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents.

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The notice sets out the standards for ordinary standard residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified respectively. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from LAT upon examination according to the standards for ordinary standard residential houses as determined by the people’s government of a province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

(ii) As to the advance collection and settlement of LAT

- i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;
- ii) As to any tax that fails to be collected in advance within the advance collection term, the overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation;
- iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and
- iv) As to the tax collection and exemption for investment or association by means of the property. As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of LAT when the property (land) is transferred to the enterprise by means of investment or association.

On December 28, 2006, the State Administration of Taxation issued the Circular 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》) which came into effect on February 1, 2007. Pursuant to the circular, a property developer shall settle and clear the LAT payment of its

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development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or where the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer; (ii) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities at provincial levels.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities at provincial levels can formulate their own implementation rules according to the notice and local situation.

On May 12, 2009, the State Administration of Taxation issued the Administrative Rules on the Settlement of Land Appreciation Tax effective as of June 1, 2009, which further clarifies the specific conditions and procedures for settlement of the LAT.

On December 18, 2005, the People’s Government of Xiamen issued the Approval on Starting Imposing Land Appreciation Tax of Xiamen (《廈門市人民政府關於開徵我市土地增值稅的批復》), under which LAT shall be applicable to any entity or individual engaging in development, sale and transfer of properties to gain appreciation in Xiamen as of January 1, 2006 in accordance with the Land Appreciation Tax Provisional Regulations. According to this Approval, a prepaid LAT rate of 0.5% shall be applicable to the gains from the sale of ordinary standard residences, and a rate of 1% shall apply to the gains from the sale of properties other than ordinary standard residences. Pursuant to the Notice on Adjusting the Prepaid Land Appreciation Tax Rate of Xiamen (《關於調整我市土地增值稅預徵率的通知》) issued by the local taxation bureau of Xiamen on April 15, 2008, for property projects conducted on the land acquired by means other than public tender, auction, or listing-for-sale, prepaid LAT rate of 3% and 5% shall be applicable to residential properties and villas respectively, while commercial business housings, office buildings, and other property projects shall be subject to the rate of 4% since April 1, 2008; for property projects of which 85% or more of the total saleable GFA has been sold before January 1, 2006, prepaid LAT rate of 3%, 4% and 5% shall be applicable to the remaining residential, commercial and villa part respectively, and the settlement of LAT may not be required; for property projects of which sold GFA before January 1, 2006 is less than

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85% of the total saleable GFA, the gains from the sale of the remaining part shall be settled in accordance with the Circular on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises.

Real Estate Tax

Under the Interim Regulations of the People’s Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, real estate tax shall be 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

Persons who have executed or received dutiable documents within China are subject to stamp tax according to the Interim Regulations of the People’s Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988 and implemented on October 1. Dutiable documents include contracts or documents of a contractual nature for the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, the lease of property and technology, as well as transfer of property. A stamp tax by each party to the stampable documents at the rate of 0.05% is payable in respect of transfer of properties based on the contractual price of the property transferred and at the rate of 0.1% of the total amount of rent in respect of the leasing of properties.

Urban land use tax

Pursuant to the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on September 27, 1988 and implemented on November 1, 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.2 and RMB10 and be collected according to the tax rate determined by the local tax authority. According to the Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China (《關於對外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知》) promulgated by the Ministry of Finance on November 2, 1988 and the Approval on Land Use Tax Exemption of Foreign-Invested Enterprises (《關於外商投資企業徵免土地使用稅問題的批復》) issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise.

However, the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

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Municipal maintenance tax

Under the Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and 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 Foreign-invested Enterprises and Foreign Enterprises (《關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知》), and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-invested Freightage Enterprises (《關於外商投資貨物運輸企業徵免城市維護建設稅和教育費附加問題的批復》) issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, the municipal maintenance tax shall not be applicable to foreign-invested enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Education surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 respectively, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead 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 (《國務院關於籌措農村學校辦學經費的通知》). Under the Supplementary Notice Concerning Imposition of Education Surcharge (《關於教育費附加徵收問題的補充通知》) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises and the Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-invested Freightage Enterprises issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, the education surcharge shall not be applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Tax Administration Between Affiliated Enterprises

Pursuant to the Administration Rules of Tax on Business Transactions Between Affiliated Enterprises (《關聯企業間業務往來稅務管理規程》), or the Administration Rules, which was promulgated by the State Administration of Taxation on April 23, 1998 and was amended on October 22, 2004, foreign-owned or foreign-invested enterprises in the PRC which have transactions with their affiliated enterprise shall submit to the competent tax authorities the Annual Declaration on Business Transactions with Affiliated Enterprises for Foreign-owned and Foreign-invested Enterprises (“外商投資企業和外國企業與其關聯企業往來情況年度申報表”). The competent tax authorities, based on the submitted Annual Declarations and other relevant documents, will make reasonable adjustments on such enterprises’ taxable profits and order the enterprises to pay an adjusted tax.

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However, the State Administration of Taxation promulgated the Implementation Measures for Special Taxation Adjustments (For Trial Implementation) (《特別納稅調整實施辦法(試行)》), or the Implementation Measures, on January 8, 2009, which came into effect retroactively on January 1, 2008 and replaces the Administration Rules. The Implementation Measures shall apply to the administration by competent tax authorities over special tax adjustments including the transfer pricing. Any resident enterprise subject to the audit taxation (查賬徵收) and any non-resident enterprise with establishments or offices in the PRC that file and pay the enterprise income tax shall, when filing its annual enterprise income tax return with the competent tax authorities, attach thereto a Statement Form of Enterprises on Annual Affiliated Transactions (“企業年度關聯業務往來報告表”). Meanwhile, it is required for an enterprise to prepare, preserve and submit at the request of tax authorities the contemporaneous documents based on its taxable years, unless otherwise provided in the Implementation Measures. Tax authorities shall be duly entitled to identify enterprises to be investigated and make investigations and adjustments for the transfer pricing. For transactions between domestic affiliated enterprises being actually subject to identical tax burdens, as long as such transactions do not directly or indirectly result in any decline in the national total tax revenue, no transfer pricing investigation or adjustment shall be made in principle. If the tax authorities deliver the notice of investigation and adjustment for special taxation to an enterprise, the enterprise shall pay its tax and interest thereon within the specified period.

LEGAL SUPERVISION RELATING TO PROPERTY MANAGEMENT SECTOR IN THE PRC

According to the Regulation on Property Management (《物業管理條例》) enacted by the State Council on June 8, 2003, enforced on September 1, 2003, and as amended on August 26, 2007, the state implements a qualification scheme system in monitoring the property management enterprises. According to the ‘Measures for Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》) enacted by the MOHURD on March 17, 2004, as amended on October 30, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the Central Government for a provisional qualification. The departments of qualification examination and approval will check and issue a “property service qualification certificate” corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Property Service Enterprises, the qualifications of a property service enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two property service enterprises, and the competent realty departments of the people’s governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various real estate management projects. The property service enterprises with the class two qualification may

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undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

In accordance with the Regulation on Property Management and the Properties Rights Law, owners may engage or dismiss a property service company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building.

LEGAL SUPERVISION RELATING TO HOTEL SECTOR IN THE PRC

Foreign-invested Hotel Project

According to the Foreign Investment Industrial Guidance Catalogue, construction and operation of high-end hotels fall within the category of restricted foreign investment industry. Construction and operation of common and economic hotels other than high-end hotels fall within the category of permitted foreign investment industry. A foreign investment enterprise investing in the hotel business can set up an enterprise in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Foreign Investment Industrial Guidance Catalogue and the requirements of the relevant laws and the administrative regulations on foreign investment enterprises. The foreign investment enterprise in hotel business should apply for an approval with the relevant department of commerce, and obtain an Approval Certification for a Foreign Investment Enterprise before registering to the administration of industry and commerce.

Hotel Management

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations relating to property development.

There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(i) **Legal supervision on security and fire control**

Pursuant to the Measures for the Control of Security in the Hotel Industry (《旅館業治安管理办法》) issued by the Ministry of Public Security of the People’s Republic of China and enforced on November 10, 1987, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should file to the local public security bureau and its branches in the county or city, if hotel enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. Pursuant to the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises

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and Institutions (《機關、團體、企業、事業單位消防安全管理規定》) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, hotels (or motel) are units which require special supervision on fire control and safety. When the hotels are under construction, renovation or re-construction, fire control examination procedure is required to carry out and when the construction, renovation or re-construction project is completed, the hotels can only open for business after passing a fire control inspection.

(ii) Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should gain the sanitation license. The measures for granting and managing sanitation license are formulated by public health authority of province, autonomous region, and municipality directly under the central government. Sanitation license is signed by public health administration above county level and its grant is taken charge of by public health and epidemic prevention institutions. The sanitation license should be reviewed once every two years.

(iii) Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. The food hygiene licenses are grant by food hygiene administrative bodies above county level. Purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

(iv) Supervision on entertainment

According to the Regulation on the Administration of Entertainment Venues (《娛樂場所管理條例》) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006, hotels that operate singing, dancing and game places for profits should apply to the local competent departments for culture administration under the people’s government at the county level or above for the entertainment commercial operation approval. The competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions as set down by the competent department governing entertainment administration under the State Council if it approves the application. According to the regulations concerning broadcast, movie and TV, foreign-related hotels above three-star or the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gain the approval from broadcast and television administration of the province, autonomous region, and municipality directly under the central government and the approval from state security administration, the permit of receiving foreign television program from satellite (接收衛星傳送的境外電視節目許可證) should be issued.

(v) Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers and so on are special equipment. According to the Regulations on Security Supervision of Special Equipment

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(《特種設備安全監察條例》) enacted by the State Council on March 11, 2003 and enforced on June 1, 2003, hotels should register with the special equipment security supervisal authority of municipality directly under the central government or city which has set up districts, and should apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

(vi) Supervision on sale of tobacco and alcohol

According to law and regulations in relation to sale of tobacco, hotels that operate retail of tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License. According to the Measures for the Administration on Foreign Investment in Commercial Fields (《外商投資商業領域管理辦法》) enacted by MOFCOM on April 16, 2004 and enforced on June 1, 2004, foreign investment enterprise that operates wholesale and retail is not allowed to operate in tobacco business. According to the Measures for the Administration of Alcohol Circulation (《酒類流通管理辦法》) enacted by MOFCOM on November 7, 2005 and enforced on January 1, 2006, the enterprise that engages in the retail of alcohol should handle the archival filing and registration in the administrative department of commerce at the same level as the administrative department for industry and commerce where the registration is handled. The licensing system shall be continued in those regions where the licensing administration of alcohol circulation has been already carried out according to law.

OVERSEAS LISTING

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Provisions on the Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective on September 8, 2006 and was amended on June 22, 2009. This new regulation, among other things, has certain provisions that purport to require offshore SPVs formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals or companies, to obtain the approval of the CSRC prior to listing their securities on an overseas stock exchange. The application of this new PRC regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

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PROPERTY VALUATION

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the properties in the PRC as at August 31, 2009.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

* 2009

The Directors
Yuzhou Properties Company Limited
Levels 5 and 6
Yuzhou Overseas City
39 Hubin West Road
Xiamen
Fujian Province
The People’s Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the properties in which Yuzhou Properties Company Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at August 31, 2009.

Definition of Market Value

Our valuation of the properties represents its market value which in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “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”.

Valuation Basis And Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

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PROPERTY VALUATION

In valuing the properties, we have complied with the requirements in the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by Commerce & Finance Law Offices, the Group’s legal advisor, are set out in the notes in the respective valuation certificate.

Method of Valuation

In valuing the properties in Group I which are held by the Group for investment in the PRC, we have used investment method by capitalizing the current rent passing derived from the existing tenancies with due provisions for reversionary income potential, or where appropriate, by direct comparison method by making reference to comparable sales evidence as available in the relevant market.

In valuing the properties in Groups II and III which are held for sale and owner-occupation in the PRC respectively, we have used direct comparison method by making reference to comparable sales evidence as available in the relevant market.

Regarding the properties in Groups IV and V which are currently held by the Group under development and for future development in the PRC respectively, we have valued on the basis that each of these properties 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 licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The “capital value when completed at the date of valuation” represents our opinion of the aggregate selling prices of the development assuming that it had been completed at the date of valuation and no allowance were made for outstanding development costs.

In valuing the properties in Group VI which are contracted or agreed to be acquired by the Group in the PRC, we have been advised by the Group that the State-owned Land Use Rights Certificates of the property have not been obtained yet and we have ascribed no commercial value to the properties.

The property in Group VII which is leased to the Group in Hong Kong has no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

Source of Information

We have been provided by the Group 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.

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PROPERTY VALUATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisor, Commerce & Finance Law Offices, in respect of the titles to the properties in the PRC. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior and, wherever possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor 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 any onerous nature which could affect their values.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 22 years' of experience in the valuation of properties in Hong Kong and the PRC.

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PROPERTY VALUATION

SUMMARY OF VALUATIONS

<u>Property</u>	<u>Capital value in existing state as at August 31, 2009 RMB</u>	<u>Attributable interest to the Group %</u>	<u>Capital value in existing state as at August 31, 2009 attributable to the Group RMB</u>
Group I — Properties held by the Group for investment in the PRC			
1. Portion of the commercial podium and various car parking spaces of Phase I of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市廈禾路第75號地塊 禹洲世貿國際一期 商業裙樓部份及 多個車位	984,000,000	100	984,000,000
2. Kindergarten, Yuzhou Overseas City Phase II, northwest of the intersection of Hexiang West Road and Hubin West Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市思明區湖濱西路與 禾祥西路交叉口西北側 禹洲華僑海景城二期幼兒園	6,300,000	100	6,300,000
3. Various retail units of Shanghai Yuzhou International Tower (Phase I of Yuzhou Jingqiao International), No. 333 Jingang Road, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市浦東 新區金港路333號禹洲金橋國 際一期上海禹洲國際大廈商鋪	88,000,000	100	88,000,000

APPENDIX V		PROPERTY VALUATION		
Property		Capital value in existing state as at August 31, 2009	Attributable interest to the Group	Capital value in existing state as a August 31, 2009 attributable to the Group
		RMB	%	RMB
4.	The commercial podium of Shanghai Yuzhou Jingqiao International Tower (Phase II of Yuzhou Jingqiao International), Lane 50 Jinyu Road, Pudong New Area, Shanghai, the PRC 上海禹洲金橋國際及二期上海禹洲 國際大廈商業	77,000,000	100	77,000,000
5.	The commercial podium and various car parking spaces of Phase II of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市廈禾路第75號地塊 禹州世貿國際中心二期商業裙樓及 多個車位	654,000,000	100	654,000,000
6.	The commercial podium of Yuzhou Golden Seacoast (Lot A), west of the Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC 廈門禹洲華僑金海岸（商業部份）	226,000,000	100	226,000,000
Sub-total :		2,035,300,000		2,035,300,000

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	<u>Capital value in existing state as at August 31, 2009</u> RMB	<u>Attributable interest to the Group</u> %	<u>Capital value in existing state as at August 31, 2009 attributable to the Group</u> RMB
Group II — Properties held by the Group for sale in the PRC			
7. Various retail units of Yuzhou New City Phase I, Haotou, Dongdu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖裏區東渡濠頭 禹洲新城一期 4個商鋪	2,800,000	100	2,800,000
8. Various retail units and car parking spaces of Yuzhou Garden Phase I, Jinshang Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市金尚路 禹洲花園一期 5個商鋪和4個車位	5,300,000	100	5,300,000
9. Various retail units and car parking spaces of Yuzhou Garden Phase II, Jinshang Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市金尚路 禹洲花園二期 8個商鋪和16個車位	16,200,000	100	16,200,000

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Property	Capital value in existing state as at August 31, 2009	Attributable interest to the Group	Capital value in existing state as at August 31, 2009 attributable to the Group
	RMB	%	RMB
10. Various retail units and car parking spaces of Yuzhou New City Phase II, Haotou, Dongdu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市東渡路東側 禹洲新城二期 12個商鋪及-1層62個車庫	36,000,000	100	36,000,000
11. Various residential units, retail units and car parking spaces of Yuzhou Harbour City Phase II, Hubin North Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖濱北路北側 海灣新城二期 多個住宅、商鋪及87個車庫	76,500,000	60	45,900,000
12. A car parking space of Yuzhou Garden Phase III, Jinshang Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市金尚路 禹洲花園三期 8個停車位	147,000	100	147,000

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PROPERTY VALUATION

<u>Property</u>	Capital value in existing state as at August 31, 2009 RMB	Attributable interest to the Group %	Capital value in existing state as at August 31, 2009 attributable to the Group RMB
13. Various residential units, retail units and car parking spaces of Yuzhou Hai Tian Plaza, Xiangang Yongfugong, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市思明區廈港永福宮 禹洲海天廣場 部分住宅、1層部分商鋪	76,100,000	100	76,100,000
14. A car parking space of Yuzhou Harbour City Phase I, Hubin North Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖濱北路北側 海灣新城一期 2個車庫	400,000	60	240,000
15. Various car parking spaces, Yuzhou Shuilian Manor, west of Jinshang Road North, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市金尚路北端西側 禹洲水蓮山莊 1個商鋪及20個車庫	3,600,000	100	3,600,000

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	Capital value in existing state as at August 31, 2009	Attributable interest to the Group	Capital value in existing state as at August 31, 2009 attributable to the Group
	RMB	%	RMB
16. Various car parking spaces of Yuzhou Overseas City Phase I, northwest of the intersection of Hexiang West Road and Hubin West Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市思明區湖濱西路與 禾祥西路交叉口西北側 禹洲華僑海景城一期 16個地下車位	6,400,000	100	6,400,000
17. Various residential units, office units and car parking spaces of Yuzhou Overseas City Phase II, northwest of the intersection of Hexiang West Road and Hubin West Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市思明區湖濱西路與 禾祥西路交叉口西北側 禹洲華僑海景城二期 部分住宅，部分寫字樓 及17個地下車位	43,000,000	100	43,000,000
18. Garage No. 27 of Block 5, Yuzhou New Manor, Nos. 414-417 Nanshan Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖裏區南山路414-417號 禹洲新村5號樓27號車庫	170,000	100	170,000

APPENDIX V		PROPERTY VALUATION		
Property		Capital value in existing state as at August 31, 2009	Attributable interest to the Group	Capital value in existing state as at August 31, 2009 attributable to the Group
		RMB	%	RMB
19.	Various office units and car parking spaces of Shanghai Yuzhou International Tower (Phase I of Yuzhou Jingqiao International), No. 333 Jingang Road, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市浦東 新區金港路333號禹洲金橋國 際一期上海禹洲國際大廈寫 字樓及車位	32,000,000	100	32,000,000
20.	Various office units and car parking spaces of Shanghai Yuzhou Jinqiao International Tower (Phase II of Yuzhou Jinqiao International), Lane 50 Jinyu Road, Pudong New Area, Shanghai, the PRC 上海禹洲金橋國際二期上海禹洲 金橋國際大廈辦公及車位部份	800,000,000	100	800,000,000
21.	The remaining unsold portion of Yuzhou Golden Seacoast (Lot A), west of Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC 廈門禹洲華僑金海岸 (Lot A 辦公 部份)	280,000,000	100	280,000,000
22.	The remaining unsold portion of Phase I of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 廈門禹州世貿國際中心一期住宅部 份	224,000,000	100	224,000,000

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	<u>Capital value in existing state as at August 31, 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at August 31, 2009 attributable to the Group</u>
	<u>RMB</u>	<u>%</u>	<u>RMB</u>
23. Various residential units and car parking spaces of Galaxy Garden, Fanghu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖裏區枋湖 星洲花園部份住宅及車位	402,000,000	100	402,000,000
Sub total	<u>2,004,617,000</u>		<u>1,973,857,000</u>
Group III — Property held by the Group for owner-occupation in the PRC			
24. Units 2804, 2805 and 2806, Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, the PRC 中華人民共和國安徽省 合肥市馬鞍山路 新都會環球廣場 2804, 2805, 2806單位	3,600,000	100	3,600,000
Sub-total:	<u>3,600,000</u>		<u>3,600,000</u>
Group IV — Properties held by the Group under development in the PRC			
25. Various residential units, retail units and car parking spaces, Oriental Venice Phase I, Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC 中華人民共和國福建省 福州市倉山區城門鎮龍江村 東方威尼斯一期 部分住宅，商業車位	204,000,000	80	163,200,000

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	<u>Capital value in existing state as at August 31, 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at August 31, 2009 attributable to the Group</u>
	<u>RMB</u>	<u>%</u>	<u>RMB</u>
26. Oriental Venice Phase II, Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC 中華人民共和國福建省 福州市倉山區城門鎮龍江村 東方威尼斯二期	800,000,000	80	640,000,000
27. Yuzhou Gu Shan No. One, Niushan Village, Yangli, Gushan Town, Jinan District, Fuzhou, Fujian Province, the PRC 中華人民共和國福建省 福州市晉安區鼓山鎮洋裏牛山村 鼓山一號	1,560,000,000	60	936,000,000
28. Yuzhou Diyuan Manor, Fanghu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖裏區枋湖 禹洲締元山莊	1,350,000,000	98	1,323,000,000
29. Yuzhou Gangyi Square, north of Minggong Building, Hubin South Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市思明區湖濱南路 名宮大廈北側 禹洲港誼廣場	600,000,000	100	600,000,000

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	Capital value in existing state as at August 31, 2009	Attributable interest to the Group	Capital value in existing state as at August 31, 2009 attributable to the Group
	RMB	%	RMB
30. Yuzhou Golden Seacoast, (Lot B), west of Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市海滄區興港路西側 B地塊 禹洲華僑金海岸	700,000,000	100	700,000,000
31. The remaining undeveloped portion of Phase II of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市廈禾路第75號地塊 禹洲世貿國際二期 餘下之在建工程部份	500,000,000	100	500,000,000
32. Yuzhou International Hotel, Plot 2006 G03, east of Huli Avenue, south of Huandao East Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖裏區環島東路以南 湖裏大道以東2006G03地塊 禹洲國際大酒店	640,000,000	100	640,000,000

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

APPENDIX V		PROPERTY VALUATION		
Property	Capital value in existing state as at August 31, 2009 RMB	Attributable interest to the Group %	Capital value in existing state as a August 31, 2009 attributable to the Group RMB	
33. Yuzhou Yuanbo City, Tongji Road, Xike Town, Tongan District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市同安區西柯鎮同集路 禹洲園博學府	1,320,000,000	100	1,320,000,000	
34. Shanghai Yanhai Tower (Phase III of Yuzhou Jinqiao International), the junction of Jinyu Road and Jinxiang Road, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市 浦東新區金豫路、 金湘路口燕海大廈 禹州金橋國際三期 上海燕海大廈	790,000,000	100	790,000,000	
35. Yuzhou Huaqiao City, west of Songlin Road, northeast of Planning Road, Ranfang Village, Taohua Town, Feixi County, Hefei, Anhui Province, the PRC 中國安徽省合肥市 肥西縣桃花鎮染坊村 合肥華僑城	1,910,000,000	100	1,910,000,000	
	Sub-total: 10,374,000,000		9,522,200,000	

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	<u>Capital value in existing state as at August 31, 2009</u> RMB	<u>Attributable interest to the Group</u> %	<u>Capital value in existing state as at August 31, 2009 attributable to the Group</u> RMB
Group V — Properties held by the Group for future development in the PRC			
36. Oriental Venice Phase III, Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC 中華人民共和國福建省 福州市倉山區城門鎮龍江村 東方威尼斯三期	2,400,000,000	80	1,920,000,000
37. Shanghai Liyade Tower (Phase IV of Yuzhou Jinqiao International), 1 and 2 Qiu, 6 Jiefang, Jinqiao Export Processing Zone, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市 浦東新區金橋出口加工區 6街坊1丘及2丘 禹洲金橋國際四期 上海利雅得大廈	520,000,000	100	520,000,000
	Sub-total :		2,440,000,000
	Grand-total :		15,974,957,000

Group VI — Properties contracted or agreed to be acquired by the Group in the PRC

38. A piece of land situated at south of Lianqian West Road and west of Yunding Central Road (to be developed as F1 Plaza), Siming District, Xiamen, Fujian Province, the PRC 中國福建省廈門市思明區蓮前西路 以南、雲頂中路以西地塊	No commercial value

APPENDIX V

PROPERTY VALUATION

<u>Property</u>	Capital value in existing state as at August 31, 2009 RMB	Attributable interest to the Group %	Capital value in existing state as at August 31, 2009 attributable to the Group RMB
39. A parcel of land situated at northeast of the junction of Xinggang Road and Jiaosong Road (to be developed as Yuzhou Zun Hai), Haicang District, Xiamen, Fujian Province, the PRC			No commercial value
中華人民共和國廈門海滄區興港路與 角嵩路交叉口東北側地塊			
40. 2 parcels of connected land adjacent to Maqing Road, Haicang District, Xiamen, Fujian Province, the PRC			No commercial value
中國福建省廈門市 海滄區馬青路側 兩相連地塊			
Group VII — Property leased to the Group in Hong Kong			
41. Units 3208B-9, 32nd Floor, AIA Tower, No. 183 Electric Road, North Point, Hong Kong			No commercial value

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
1. Portion of the commercial podium and various car parking spaces of Phase I of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市廈禾路第75號地塊 禹洲世貿國際一期商業裙樓部份及多個車位	The property comprises various retail units on various levels of a 6-storey commercial podium and 229 car parking spaces on various basement levels within Phase I of Yuzhou World Trade Center completed in about 2001. The commercial portion of the property has a total gross floor area of approximately 33,332.34 sq m. The land use rights of the property have been granted for various terms due to expire on January 9, 2068 for residential use, due to expire on January 9, 2048 for office use and due to expire on January 9, 2038 for commercial use.	As at the date of valuation, a part of the commercial portion of the property with a total gross floor area of approximately 33,053.59 sq m was subject to various tenancies with the latest one due to expire on September 30, 2021 at a total monthly rent of approximately RMB2,023,000. The remainder of the commercial portion of the property was vacant. The car parking spaces were available for letting on short term basis.	RMB984,000,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000301 dated July 3, 2001 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 15,686.60 sq m have been granted to Xiamen Richville Development Ltd. (廈門貴豐房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (98) 038 dated April 8, 1998, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 19,454.644 sq m had been granted to Xiamen Richville Development Ltd. (廈門貴豐房地產開發有限公司) at a consideration of RMB24,001,668.
- (3) Pursuant to Construction Work Completion Examination Certificate No. 350200200307240812 dated July 24, 2003 issued by Xiamen Construction and Management Bureau, the podium and basement with a total gross floor area of 78,014.66 sq m was completed.
- (4) According to the copy of Business Licence No. 350200400022169, Xiamen Richville Development Ltd. (廈門貴豐房地產開發有限公司) was established with a registered capital of USD5,000,000 as a limited company on November 19, 1992.
- (5) According to the Xiamen Real Estate Surveying Report No. 012007065001 of Phase I of Yuzhou World Trade Center, the gross floor area of the subject property for commercial use is 33,332.34 sq m whilst that for underground car parking use is 11,568 sq m.

APPENDIX V

PROPERTY VALUATION

- (6) 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 property is partly mortgaged to the China Construction Bank, Xiaman branch for a loan of RMB450,000,000 with the security term from April 9, 2008. Under such mortgage contract, Xiamen Richville Development Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without China Construction Bank’s agreement in the mortgage period;
 - (ii) Xiamen Richville Development Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (iii) Other than the above mentioned mortgage, the property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Richville Development Ltd. is the sole legal land user of the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (vi) Phase I of Yuzhou World Trade Center with a gross floor area of 136,781.14 sq m has passed the completion inspection.
 - (vii) The 229 car parking spaces is developed and invested by Xiamen Richville Development Ltd. which is approved with certificate of planning. Xiamen Richville Development Ltd. has the ownership of the 229 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Richville Development Ltd., even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |
| Real Estate Surveying Report | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
2. Kindergarten, Yuzhou Overseas City Phase II, northwest of the intersection of Hexiang West Road and Hubin West Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市思明區 湖濱西路與禾祥西路交 叉口西北側 禹洲華僑海景城二期幼兒園	The property comprises a kindergarten within a composite development completed in 2006. The property has a gross floor area of approximately 1,101 sq m. The land use rights of the property have been granted for various terms expiring on August 27, 2072 for residential use and expiring on August 27, 2042 for commercial use.	As at the date of valuation, the property was subject to a tenancy for a term of 10 years from September 1, 2006 to August 31, 2016 at a monthly rent of approximately RMB23,114.	RMB6,300,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00001821 dated August 3, 2005 the land use rights of the property with a site area of approximately 27,702.72 sq m have been granted to Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (92) 005 dated August 12, 1992 and its supplemental agreements, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 27,708.861 sq m had been granted to Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司) at a consideration of RMB87,760,122.84.
- (3) Pursuant to Construction Work Completion Examination Certificate No. 350200200610191484 dated October 19, 2006 issued by Xiamen Construction and Management Bureau, Blocks 6 to 9 of Yuzhou Overseas City with a gross floor area of approximately 103,546.71 sq m was completed.
- (4) According to Business Licence No. 350200400013117, Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司) was established on September 6, 1999 as a limited company with a registered capital of RMB20,000,000.
- (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) Xiamen Huaqiao City Real Estate Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Huaqiao City Real Estate Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (v) The lease is legal, valid, binding on both parties and enforceable; and
 - (vi) The lease has not been registered in relevant authority.

APPENDIX V

PROPERTY VALUATION

- (6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Construction Work Completion Examination Certificate	Yes
Business Licences	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
3. Various retail units of Shanghai Yuzhou International Tower (Phase I of Yuzhou Jingqiao International), No. 333 Jingang Road, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市浦東新區金港路333號禹洲金橋國際一期上海禹洲國際大廈商鋪	The property comprises various retail units on various levels of a 2-storey commercial podium of Shanghai Yuzhou International Tower completed in 2008. The commercial portion of the property has a total gross floor area of approximately 3,828.84 sq m. The land use rights of the property have been granted for a term due to expire on October 12, 2048 for commercial/office use.	As at the date of valuation, 25 units of the property with a total gross floor area of 1,676.40 sq m. is subject to various tenancies with the latest tenancy due to expire on June 30, 2019 at a total rent of approximately RMB35,000 per month. The remaining portion of the property is vacant.	RMB88,000,000

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership No. (2008) 031381 dated May 6, 2008, the building ownership of the property with a total gross floor area of approximately 34,433.99 sq m, had been vested in Shanghai Yuejiang Realty Co., Ltd. (上海悦江置業有限公司) with a site area of 6,868 sq m.
- (2) Pursuant to Transfer Contract of Land Use Rights No. JQ92X607X entered into between Shanghai Jinqiao Joint Investment Development Company (Party A) and Shanghai Wushang Property Development Company (Party B) dated December 23, 1992, the land use rights of the property have been granted to Party B with particulars as follows:-
 - (i) Site Area : 6,928 sq.m.
 - (ii) Land Usage : N/A
 - (iii) Land Use Term : 50 years
 - (iv) Plot Ratio : 4.0
 - (v) Land Premium : USD3,741,120
- (3) Pursuant to Agreement of Change Endorser and Grantee under Transfer Contract of Land Use Rights No. JQ92X607X (Agreement No. JQ95X498X-113) dated November 15, 1995, the land use rights of the property with a total site area of 6,868 sq.m. have been granted to Shanghai Xingjiang Industrial Company at a consideration of USD3,708,720.
- (4) According to Business Licence No. 3101152023788, Shanghai Yuejiang Realty Co, Ltd. was established on March 21, 2005 as a limited company with a registered capital of RMB48,000,000.
- (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) Shanghai Yuejiang Realty Co, Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Shanghai Yuejiang Realty Co, Ltd. is the sole legal land user of the property; and
 - (iv) All land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled.

APPENDIX V

PROPERTY VALUATION

- (6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Business Licences	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
4. The commercial podium of Shanghai Yuzhou Jingqiao International Tower (Phase II of Yuzhou Jingqiao International), Lane 50 Jingyu Road, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市 浦東新區金豫路50弄禹 洲金橋國際二期上海禹 洲金橋國際大廈商鋪	The property comprises various retail units on various levels of a 1-storey commercial podium of Shanghai Yuzhou Jingqiao International Tower completed in May 2009. The commercial portion of the property has a total gross floor area of approximately 3,661.27 sq m. The land use rights of the property have been granted for a term expiring on August 29, 2050 for composite use.	The property is currently vacant.	RMB77,000,000

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership No. (2009)050110 dated July 17, 2009, the building ownership rights of the property with a gross floor area of approximately 49,553.15 sq m, have been vested in Shanghai Kangtai Real Estate Development Co, Ltd. (上海康泰房地產開發有限公司).
- (2) According to Transfer Contract of Land Use Rights No. JQ93X301H entered into between Shanghai Jinqiao Export Processing Zone Joint Development Company (Party A) and Yizheng Chemical Fibre Group Shanghai Orient Company (Party B) dated May 8, 1993, the land use rights of the property have been granted to Party B with particulars as follows:-
 - (i) Site Area : 13,922 sq m
 - (ii) Land Usage : N/A
 - (iii) Land Use Term : 50 years
 - (iv) Plot Ratio : 4.0
 - (v) Land Premium : USD7,128,064
- (3) According to Business Licence No. 3101152022012, Shanghai Kangtai Real Estate Development Co, Ltd. was established on January 18, 1993 as a limited company with a registered capital of RMB30,000,000.
- (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) Shanghai Kangtai Real Estate Development Co, Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Shanghai Kangtai Real Estate Development Co, Ltd. is the sole legal land user of the property; and
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled.

APPENDIX V

PROPERTY VALUATION

- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Business Licences	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
5. The commercial podium and various car parking spaces of Phase II of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市廈禾路第75號地塊 禹州世貿國際中心二期商業裙樓及多個車位	The property comprises various retail units on Levels 1 to 7 and Level -1 of a 7-storey commercial podium with basement together with 94 car parking spaces within Phase II of Yuzhou World Trade. The commercial portion of the property has a total gross floor area of approximately 16,505.19 sq m. The land use rights of the property have been granted for various terms due to expire on January 9, 2068 for residential use, due to expire on January 9, 2048 for office use and due to expire on January 9, 2038 for commercial use.	As at the date of valuation, parts of the commercial portion of the property with a total gross floor area of approximately 10,252 sq m were subject to various tenancies with the latest one due to expire on April 29, 2024 at a total monthly rent of approximately RMB1,309,000. The remainder of the commercial portion of the property was vacant. The car parking spaces were available for letting on short term basis.	RMB654,000,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00005708 dated November 28, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of property with a site area of approximately 3,767.34 sq m have been granted to Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (98) 038 dated April 8, 1998, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 19,454.644 sq m had been granted to Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司) at a consideration of RMB24,001,668.
- (3) Pursuant to Planning Permit for Construction Works No. (2005) 0137 dated July 11, 2005 issued by Xiamen Urban Planning Bureau, the construction works of part of Phase I and the whole of Phase II of Yuzhou World Trade Center with a total gross floor area of approximately 112,060.80 sq m are in compliance with the urban construction requirements and are approved.
- (4) Pursuant to Permit for Commencement of Construction Works No. 350200200607240101 dated July 24, 2006 issued by Xiamen Construction and Management Bureau, the construction works of part of Phase I and the whole of Phase II of Yuzhou World Trade Center with a total gross floor area of approximately 112,060.87 sq m are in compliance with the requirements for works commencement and are permitted.
- (5) Pursuant to Commodity Housing Pre-sale Permit No. 20080027 issued by Xiamen State-owned Land Resources and Housing Bureau on May 19, 2008, Phase II of Yuzhou World Trade Center with a total gross floor area of approximately 60,613.86 sq m are permitted to be pre-sold.
- (6) According to Business Licence No. 350200400022169, Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司) was established on November 19, 1992 as a limited company with a registered capital of USD5,000,000.

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PROPERTY VALUATION

- (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) Xiamen Richville Development Limited has lawfully owned the land use right of the property;
 - (ii) Xiamen Richville Development Limited is the legal land user of the property;
 - (iii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Richville Development Limited has the right to occupy and use the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vi) The occupation and use of the land of Xiamen Richville Development Limited do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property; and
 - (vii) The construction of the buildings with a total gross floor area of 68,444.55 sq m has been obtained the approval from the relevant government authorities.
- (8) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Business Licences | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
6. The commercial podium of Yuzhou Golden Seacoast, (Lot A), west of Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市海滄區興港路西側華僑金海岸A地塊商業部分	The property comprises various retail shops on Level 1 and basement 1 within Yuzhou Golden Seacoast, Lot A completed in 2009. The commercial portion of the property has a total gross floor area of approximately 20,375.88 sq m. The land use rights of the property have been granted for various terms due to expire on February 29, 2076 for residential use, due to expire on February 28, 2046 for commercial use.	As at the date of valuation, the property is vacant.	RMB226,000,000

Notes:

- (1) Pursuant to Certificate of Real Estate Ownership No. 00005685 dated November 2, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 34,027.49 sq m have been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2006) 001 dated February 16, 2006 and its supplemental agreement dated August 17, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 70,793.328 sq m had been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) at a consideration of RMB376,000,000.
- (3) Pursuant to Planning Permit for Construction Use of Land No. (2006) 0073 dated May 19, 2006 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Yuzhou Huaqiaocheng with an site area of approximately 70,793.328 sq m is in compliance with the urban planning requirements.
- (4) Pursuant to Planning Permit for Construction Works No. (2006) 0096 dated October 20, 2006 issued by Xiamen Urban Planning Bureau, Yuzhou Huaqiaocheng with a total gross floor area of approximately 243,097.60 sq m is in compliance with the urban construction requirements and is approved.
- (5) Pursuant to Permit for Commencement of Construction Works No. 350211200609280201 dated September 28, 2006 issued by Xiamen Construction and Management Bureau, the construction work of Zone A, Yuzhou Huaqiaocheng with a total gross floor area of approximately 120,309.20 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) Pursuant to Commodity Housing Pre-sale Permit No. (2007) 0096 issued by Xiamen State-owned Land Resources and Housing Bureau on October 19, 2007, Zone A, Yuzhou Huaqiaocheng with a total gross floor area of approximately 106,491.69 sq m are permitted to be pre-sold.
- (7) Pursuant to Business Licence No. 07085, Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) was established on June 20, 2006 as a limited company with a registered capital of RMB 20,000,000.

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PROPERTY VALUATION

- (8) 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 of the property with a site area of 34,027.49 sq m is mortgaged to the China Construction Bank, Xiamen Branch as part of the consideration for a loan of RMB200,000,000 with the security term from November 20, 2006 to November 12, 2009. Under such mortgage contract, Xiamen Yuzhou Group Realty Invest Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without China Construction Bank’s agreement in the mortgage period;
 - (ii) Xiamen Yuzhou Group Realty Invest Co., Ltd. is the sole legal land user of the property;
 - (iii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Yuzhou Group Realty Invest Co., Ltd. has the right to occupy and use the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vi) The occupation and use of the land of Xiamen Yuzhou Group Realty Invest Co., Ltd. do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property;
 - (vii) Xiamen Yuzhou Group Realty Invest Co., Ltd. is applying the project approval documents from relevant authority; and
 - (viii) The construction of the buildings with a total gross floor area of 243,097.75 sq m has been obtained the approval from the relevant government authorities.
- (9) The status of title and grant of major approvals and licences pursuant to the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Business Licence | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Properties held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
7. Various retail units of Yuzhou New City Phase I, Haotou, Dongdu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市湖裏區東渡濠頭禹洲新城一期(小城故事)4個商鋪	The property comprises various retail units on Level 1 of a 7-storey composite building completed in 2002. The property has a total gross floor area of approximately 215 sq m. The land use rights of the property have been granted for various terms expiring on January 2, 2071 for residential use and expiring on January 2, 2041 for commercial use.	As at the date of valuation, except for a gross floor area of approximately 48 sq m which was leased for a term commencing from January 17, 2001 to January 16, 2010 at a monthly rent of RMB700, the property was vacant.	RMB2,800,000

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificate Nos. 00000642 and 00000643 dated May 31, 2001 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 10,259.80 sq m have been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (2001) 016 dated April 23, 2001, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 10,259.766 sq m had been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) at a consideration of RMB16,933,680.
- Pursuant to Commodity Housing Pre-sale Permits No. 20010080 issued by Xiamen State-owned Land Resources and Housing Bureau on October 30, 2001, Yuzhou New City with a total gross floor area of approximately 7,055 sq m are permitted to be pre-sold.
- Pursuant to 6 Construction Work Completion Examination Certificates dated November 7, 2002 issued by Xiamen Construction and Management Bureau, Block Nos. 1-6, Yuzhou New City with a total gross floor area of approximately 24,663.91 sq m was completed with details as follows:-

Certificate No.	Building	Gross Floor Area (sq.m.)
350200200211070447	Block No. 1 Phase 1 Yuzhou New City	4,773.14
350200200211070448	Block No. 2 Phase 1 Yuzhou New City	5,846.21
350200200211070449	Block No. 3 Phase 1 Yuzhou New City	2,694.21
350200200211070450	Block No. 4 Phase 1 Yuzhou New City	2,656.26
350200200211070451	Block No. 5 Phase 1 Yuzhou New City	2,807.27
350200200211070452	Block No. 6 Phase 1 Yuzhou New City	5,886.82
Total:		<u>24,663.91</u>

- Pursuant to Business Licence No. 350200200013266, Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) was established on February 25, 1999 as a limited company with a registered capital of RMB 23,600,000.

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PROPERTY VALUATION

- (6) 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) Xiamen Yuzhou Property Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Yuzhou Property Development Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (v) Yuzhou New City Phase I with a gross floor area of 24,663.91 sq m has passed the completion inspection.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
8. Various retail units and car parking spaces of Yuzhou Garden Phase I, Jinshang Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市金尚路禹洲花園一期多個商舖及車位	The property comprises various retail units on various levels of a 2-storey commercial podium and 4 car parking spaces on Level 1 within a residential development completed in 1999. The commercial portion of the property has a total gross floor area of approximately 483.68 sq m. The land use rights of the property have been granted for various terms expiring on October 11, 2067 for residential use, expiring on October 11, 2037 for commercial use and expiring on October 11, 2047 for office use.	The property was vacant.	RMB5,300,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000151 dated April 30, 1998, the land use rights of the property with a site area of approximately 9,101.84 sq m have been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (98) 005 dated January 27, 1998, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 9,101.839 sq m had been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) at a consideration of RMB13,478,302.95.
- (3) Pursuant to Commodity Housing Pre-sale Permit No. 980052 issued by Xiamen State-owned Land Resources and Housing Bureau on October 12, 1999, Blocks 1 to 10 of Yuzhou Garden with a total gross floor area of approximately 26,362.24 sq m are permitted to be pre-sold.
- (4) Pursuant to the Construction Quality Comprehensive Assessment, the property with a gross floor area 8,652 sq m has been passed the completion inspection.
- (5) Pursuant to Business Licence No. 350200200013266, Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) was established on February 25, 1999 as a limited company with a registered capital of RMB23,600,000 and an operation period from February 25, 1999 to February 25, 2009.
- (6) 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) Xiamen Yuzhou Property Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Yuzhou Property Development Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (v) Yuzhou Garden Phase I with a gross floor area of 25,102 sq m has passed the completion inspection.

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- (vi) The 4 car parking spaces is developed and invested by Xiamen Yuzhou Property Development Co., Ltd. which is approved with certificate of planning. Xiamen Yuzhou Property Development Co., Ltd. has the ownership of the 4 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Yuzhou Property Development Co., Ltd., even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
9. Various retail units and car parking spaces of Yuzhou Garden Phase II, Jinshang Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市金尚路禹洲花園二期多個商舖及車位	The property comprises various retail units on various levels of a 2-storey commercial podium and 11 car parking spaces on Basement within a residential development completed in 2000. The commercial portion of the property has a total gross floor area of approximately 1,691.89 sq m. The land use rights of the property have been granted for various terms expiring on September 15, 2068 for residential use, expiring on September 15, 2038 for commercial use and expiring on September 15, 2048 for office use.	As at the date of valuation, except for a total gross floor area of approximately 1,106 sq m which was subject to various tenancies with the latest one due to expire on November 19, 2014 at a total annual rent of approximately RMB264,000, the property was vacant.	RMB16,200,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000333 dated March 10, 1999, the land use rights of a parcel of land with a site area of approximately 7,774.74 sq m had been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (98) 108 dated February 8, 1999, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 7,774.743 sq m had been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) at a consideration of RMB16,136,190.
- (3) Pursuant to Commodity Housing Pre-sale Permits No. 20000008 issued by Xiamen State-owned Land Resources and Housing Bureau on September 11, 2000, Yuzhou Garden Phase II with a total gross floor area of approximately 30,049.57 sq m are permitted to be pre-sold.
- (4) As advised by the Group, as at the date of valuation, 1 car parking spaces have been pre-sold for a consideration of RMB110,000. In the course of our valuation, we have taken into account the above contracted selling price of the pre-sold spaces.
- (5) According to Business Licence No. 350200200013266, Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) was established on February 25, 1999 as a limited company with a registered capital of RMB23,600,000 and an operation period from February 25, 1999 to February 25, 2009.
- (6) 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) Xiamen Yuzhou Property Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Yuzhou Property Development Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and

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PROPERTY VALUATION

- (v) Yuzhou Garden Phase II with a gross floor area of 28,042 sq m has passed the completion inspection.
- (vi) The 11 car parking spaces were developed and invested by Xiamen Yuzhou Property Development Co., Ltd. which is approved with certificate of planning. Xiamen Yuzhou Property Development Co., Ltd. has the ownership of the 11 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Yuzhou Property Development Co., Ltd., even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
10. Various retail units and car parking spaces of Yuzhou New City Phase II, Haotou, Dongdu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市東渡路東側禹洲新城二期多個商鋪及車位	The property comprises various retail units on various levels of a commercial podium and 57 car parking spaces at basement within a residential development completed in 2005. The retail portion of the property has a total gross floor area of approximately 3,786 sq m. The land use rights of the property have been granted for various terms expiring on October 8, 2072 for residential use, expiring on October 8, 2052 for office use and expiring on October 8, 2042 for commercial use.	As at the date of valuation, except for a total gross floor area of approximately 2,323 sq m which was subject to various tenancies with the latest one due to expire on March 31, 2014 at a total annual rent of approximately RMB568,000, the property was vacant.	RMB36,000,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000885 dated November 5, 2002 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 15,350.23 sq m have been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2002) 051 dated October 18, 2002, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 15,350.234 sq m had been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) at a consideration of RMB36,926,387.14.
- (3) Pursuant to Commodity Housing Pre-sale Permits No. 20030074 issued by Xiamen State-owned Land Resources and Housing Bureau on August 27, 2003, Yuzhou New City Phase II (Yuzhou Zonglu City) with a total gross floor area of approximately 54,506.07 sq m are permitted to be pre-sold.
- (4) Pursuant to Construction Work Completion Examination Certificate No. 350220200501181148 dated January 18, 2005 issued by Xiamen Construction and Management Bureau, Yuzhou New City Phase II (Yuzhou Zhonglu City) with a gross floor area of approximately 67,366.83 sq m was completed.
- (5) Pursuant to Business Licence No. 350200200013266, Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司) was established on February 25, 1999 as a limited company with a registered capital of RMB23,600,000.
- (6) 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) Xiamen Yuzhou Property Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Yuzhou Property Development Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;

APPENDIX V

PROPERTY VALUATION

- (v) Yuzhou New City Phase II with a gross floor area of 67,366.83 sq m has passed the completion inspection; and
 - (vi) The 57 car parking spaces is developed and invested by Xiamen Yuzhou Property Development Co., Ltd. which is approved with certificate of planning. Xiamen Yuzhou Property Development Co., Ltd. has the ownership of the 57 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Yuzhou Property Development Co., Ltd., even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
11. Various residential units, retail units and car parking spaces of Yuzhou Harbour City Phase II, Hubin North Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市湖濱北路北側海灣新城二期多個住宅、商鋪及車庫	The property comprises various residential and retail units in Block 6 of Yuzhou Harbour City Phase II and on Level 1 of a single storey commercial podium respectively. Besides, a total number of 77 car parking spaces on basement levels within the residential development completed between 2005 and 2007 were also facilitated. The residential and retail portions of the property have total gross floor areas of approximately 2,758.16 sq m and 171.29 sq m respectively. The land use rights of the property have been granted for various terms expiring on February 9, 2065 for residential use and expiring on February 9, 2035 for commercial use.	As at the date of valuation, except for a total gross floor area of approximately 71.29 sq m which was subject to various tenancies with the latest one due to expire on June 14, 2014 at a total annual rent of approximately RMB157,000, the property was vacant.	RMB76,500,000 (60% interest attributable to the Group: RMB45,900,000)

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000935 dated April 9, 2003, the land use rights of the property with a site area of approximately 11,716.30 sq m have been granted to Xiamen Fengzhou Real-Estate Co., Ltd. (廈門豐洲置業有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (94) 028 dated July 18, 1994, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 92,100 sq m had been granted to Xiamen Zhongxin Real Estate Co., Ltd., Xiamen Foreign Capital Construction Co., Ltd. (廈門中信房地產股份有限公司、廈門外資建設工程公司) at a consideration of RMB1,842,000.
- (3) Pursuant to Commodity Housing Pre-sale Permit No. 20050052 issued by Bureau of Land Resources and Housing Management of Xiamen Municipality on October 25, 2005, Phase II, Yuzhou Harbour City, North of Hubin North Road with a total gross floor area of approximately 106,999.04 sq m and 818 units are permitted to be pre-sold.
- (4) Pursuant to Construction Works Completion Examination Certificate No. 350200200711221704 dated November 22, 2007 issued by Xiamen Construction and Management Bureau, Blocks 3 to 6 of Harbour City Phase II with a gross floor area of approximately 112,204.93 sq m was completed.
- (5) As advised by the Group, as at the date of valuation, 3 car parking spaces have been pre-sold for a consideration of RMB1,013,000. In the course of our valuation, we have included the above contracted selling price of the pre-sold spaces.
- (6) According to Business Licence No. 06148, Xiamen Fengzhou Real-Estate Co., Ltd. (廈門豐洲置業有限公司) was established on October 10, 2000 as a limited company with a registered capital of HKD18,000,000 and an operation period from October 10, 2000 to October 9, 2020.
- (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) Xiamen Fengzhou Real-Estate Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Fengzhou Real-Estate Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;

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- (v) Haiwan New City with a total gross floor area of 174,868.89 sq m has passed the completion inspection.
- (vi) The 77 car parking spaces is developed and invested by Xiamen Fengzhou Real Estate Co., Ltd. which is approved with certificate of planning. Xiamen Fengzhou Real Estate Co., Ltd. has the ownership of the car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Fengzhou Real Estate Co., Ltd., even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (8) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
12. A car parking space of Yuzhou Garden Phase III, Jinshang Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市金尚路禹洲花園 三期停車位	The property comprises 1 car parking space on Level 1 within a residential development with commercial facilities completed in 2000. The land use rights of the property have been granted for various terms expiring on August 8, 2068 for residential use, expiring on August 8, 2038 for commercial use.	The property is vacant.	RMB147,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000237 dated September 16, 1998, the land use rights of the property with a site area of 10,468.686 sq m have been granted to Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) for a land use term from August 9, 1998 to August 8, 2038 for commercial use and August 9, 1998 to August 8, 2068 for residential use.
- (2) Pursuant to Grant Contract of Land Use Rights No. (98) 076 dated August 26, 1998 and its supplemental agreements, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 10,468.686 sq m had been granted to Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) at a consideration of RMB14,510,230.
- (3) Pursuant to Commodity Housing Pre-sale Permits No. 19990087 issued by Xiamen State-owned Land Resources and Housing Bureau on October 18, 2001, Yaozhao Garden with a total gross floor area of approximately 33,979.77 sq m are permitted to be pre-sold.
- (4) According to Business Licence No. 350200400002422, Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) was established on March 27, 1998 as a limited company with a registered capital of RMB10,800,000.
- (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) Xiamen Yaozhou Real Estate Development Company has lawfully owned the land use right of the property;
 - (ii) Xiamen Yaozhou Real Estate Development Company is the sole legal land user of the property;
 - (iii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Yaozhou Real Estate Development Company has the right to occupy and use the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vi) The occupation and use of the land of Xiamen Yaozhou Real Estate Development Company do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the Property;

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- (vii) Yuzhou Garden Phase III with a gross floor area of 32,722.33 has passed the completion inspection; and
- (viii) The car parking space is developed and invested by Xiamen Yaozhou Real Estate Development Company which is approved with certificate of planning. Xiamen Yaozhou Real Estate Development Company has the ownership of the car parking space, which can be legally transferred, leased and/or mortgaged by Xiamen Yaozhou Real Estate Development Company even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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<u>Property</u>			<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
13.	Various residential units, retail units and car parking spaces of Yuzhou Hai Tian Plaza, Xiagang Yongfugong, Siming District, Xiamen, Fujian Province, the PRC		The property comprises various residential units on various levels of a residential block and various retail units on Level 1 of a 2-storey commercial podium and 36 car parking spaces on basement 1 within a residential development with commercial facilities completed in 2007.	As at the date of valuation, a portion of the property with a gross floor area of 601 sq m was subject to various tenancies with the latest one due to expire on June 4, 2017 at a total annual rent of approximately RMB1,100,000. The remaining portion of the property was vacant.	RMB76,100,000
	中華人民共和國福建省廈門市思明區廈港永福宮禹洲海天廣場部分住宅、1層部分商鋪及多個地下車位		The property has a total gross floor area of approximately 2,372.47 sq m with details as follows:-		
		<u>Portion</u>	<u>Approximate Gross Floor Area (sq m)</u>		
		Residential	1,380.73		
		Retail	991.74		
		Total:	<u>2,372.47</u>		
			The land use rights of the property have been granted for various terms expiring on January 1, 2071 for residential use and expiring on January 1, 2041 for commercial use.		

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00001271 dated April 5, 2005 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 6,316.28 sq m is held by Xiamen Skyplaz Realty and Development Co., Ltd. (廈門海天房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2003) 098 dated December 30, 2003, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 6,328.525 sq m had been granted to Xiamen Skyplaz Realty and Development Co., Ltd. (廈門海天房地產開發有限公司) at a consideration of RMB19,238,603.12.
- (3) Pursuant to Commodity Housing Pre-sale Permit No. 20050055 issued by Bureau of Land Resources and Housing Management of Xiamen Municipality on October 28, 2005, Haitian Square, Siming South Road with a total gross floor area of approximately 63,703.11 sq m and 502 units are permitted to be pre-sold.
- (4) Pursuant to Construction Works Completion Examination Certificate No. 350200200711291709 dated November 20, 2007 issued by Xiamen Construction and Management Bureau, Yuzhou Hai Tian Plaza Blocks 1 to 3 with a gross floor area of approximately 65,899.67 sq m were completed.
- (5) According to Business Licence No. 01745, Xiamen Skyplaz Realty and Development Co., Ltd. (廈門海天房地產開發有限公司) was established on June 16, 1993 as a limited company with a registered capital of USD6,600,000 and an operation period from June 16, 1993 to June 15, 2014.
- (6) The 39 car parking spaces were developed and invested by Xiamen Skyplaz Realty and Development Co., Ltd. and were approved with certificate of planning. Xiamen Skyplaz Realty and Development Co.,

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Ltd. has the ownership of the 36 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Skyplaz Realty and Development Co., Ltd. even the title certificates of the aforesaid car parking spaces cannot be currently applied.

- (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) Xiamen Skyplaz Realty and Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Skyplaz Realty and Development Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (v) Haitian Plaza with a gross floor area of 65,899.67 sq m has passed the completion inspection.
- (8) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Construction Work Completion Examination Certificate	Yes
Business Licences	Yes

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<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
14. A car parking space of Yuzhou Harbour City Phase I, Hubin North Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖濱北路北側海 灣新城一期 1個車庫	The property comprises a car parking space within a residential development with commercial facilities completed in 2005. The land use rights of the property have been granted for various terms expiring on February 9, 2065 for residential use and expiring on February 9, 2035 for commercial use.	The property is vacant.	RMB400,000 (60% interest attributable to the Group: RMB240,000)

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00000934 dated April 9, 2003, the land use rights of the property with a site area of approximately 8,372.40 sq m have been granted to Xiamen Fengxhou Real-Estate Co., Ltd. (廈門豐洲置業有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (94) 028 dated July 18, 1994, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 92,100 sq m had been granted to Xiamen Zhongxin Real Estate Co., Ltd., Xiamen Foreign Capital Construction Co., Ltd. (廈門中信房地產股份有限公司、廈門外資建設工程公司) at a consideration of RMB1,842,000.
- (3) Pursuant to Commodity Housing Pre-sale Permit No. 20030108 issued by Xiamen State-owned Land Resources and Housing Management on November 26, 2004, Harbour City Phase I, North of Hubin North Road with a total gross floor area of approximately 61,855.52 sq m are permitted to be pre-sold.
- (4) Pursuant to Construction Work Completion Examination Certificate No. 350200200510111282 dated October 11, 2005 issued by Xiamen Construction and Management Bureau, Blocks 1 and 2 of Harbour City with a gross floor area of approximately 62,663.96 sq m was completed.
- (5) According to Business Licence No. 06148, Xiamen Fengxhou Real-Estate Co., Ltd. (廈門豐洲置業有限公司) was established on October 10, 2000 as a limited company with a registered capital of HKD18,000,000 and an operation period from October 10, 2000 to October 9, 2020.
- (6) 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) Xiamen Fengxhou Real-Estate Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Fengxhou Real-Estate Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (v) Harbour City with a total gross floor area of 174,868.89 sq m has passed the completion inspection; and

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- (vi) The car parking space is developed and invested by Xiamen Fengxhou Real-Estate Co., Ltd. which is approved with certificate of planning. Xiamen Fengxhou Real-Estate Co., Ltd. has the ownership of the car parking space, which can be legally transferred, leased and/or mortgaged by Xiamen Fengxhou Real-Estate Co., Ltd. even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
15. Various car parking spaces, Yuzhou Shuilian Manor, west of Jinshang Road North, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市金尚路北 端西側禹洲水蓮山莊 商鋪及多個車庫	The property comprises 20 car parking spaces on basement 1 within a residential development with commercial facilities completed in 2006. The land use rights of the property have been granted for various terms expiring on September 10, 2073 for residential use and due to expire on September 10, 2043 for commercial use.	The property is vacant.	RMB3,600,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00001064 dated February 18, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 12,909.07 sq m have been granted to Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2003) 093 dated November 26, 2003, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 12,908.595 sq m had been granted to Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) at a consideration of RMB21,468,252.96.
- (3) Pursuant to Commodity Housing Pre-sale Permits No. 20050040 issued by Xiamen State-owned Land Resources and Housing Bureau on November 11, 2005, Shui lian Shan Zhuang (水蓮山莊), West of the Jinshang Road North Portion with a total gross floor area of 27,293.51 sq m and 332 units are permitted to be pre-sold.
- (4) Pursuant to Construction Work Completion Examination Certificate No. 350200200612181517 dated December 18, 2006 issued by Xiamen Construction and Management Bureau, Blocks 1 to 7 of Yuzhou New City with a gross floor area of approximately 28,120.17 sq m was completed.
- (5) According to Business Licence No. 350200400002422, Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) was established on March 27, 1998 as a limited company with a registered capital of RMB10,800,000.
- (6) 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) Xiamen Yaozhou Real Estate Development Company has lawfully owned the land use rights of the property;
 - (ii) Xiamen Yaozhou Real Estate Development Company is the sole legal land user of the property;
 - (iii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Yaozhou Real Estate Development Company has the right to occupy and use the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;

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- (vi) The occupation and use of the land of Xiamen Yaozhou Real Estate Development Company do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property;
 - (vii) The development with a gross floor area of 28,120.17 sq m has passed the completion inspection; and
 - (viii) The 20 car parking spaces were developed and invested by Xiamen Yaozhou Real Estate Development Company which is approved with certificate of planning. Xiamen Yaozhou Real Estate Development Company has the ownership of the 20 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Yaozhou Real Estate Development Company even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Works Completion Examination Certificate | Yes |
| Business Licence | Yes |

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Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
16. Various car parking spaces of Yuzhou Overseas City Phase I, northwest of the intersection of Hexiang West Road and Hubin West Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市思明區湖濱西路與禾祥西路交叉 口西北側 禹洲華僑海景城一期 16個地下車位	The property comprises 16 underground car parking spaces within a composite development completed in 2006. The land use rights of the property have been granted for various terms expiring on August 27, 2072 for residential use and expiring on August 27, 2042 for commercial use.	The property is vacant.	RMB6,400,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00001821 dated August 3, 2005 the land use rights of the property with a site area of approximately 27,702.72 sq m is held by Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (92) 005 dated August 12, 1992 and its supplemental agreements, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 27,708.861 sq m had been granted to Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司) at a consideration of RMB87,760,122.84.
- (3) Pursuant to Construction Work Completion Examination Certificate No. 350200200412091119 dated December 9, 2004 issued by Xiamen Construction and Management Bureau, Blocks 1 to 5 of Yuzhou Overseas City with a gross floor area of approximately 137,372.37 sq m was completed.
- (4) Pursuant to Commodity Housing Pre-sale Permits No. 20020082 issued by Xiamen State-owned Land Resources and Housing Bureau on January 21, 2005, Yuzhou Overseas City Phase I with a total gross floor area of approximately 137,372.37 sq m are permitted to be pre-sold.
- (5) According to Business Licence No. 350200400013117, Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司) was established on September 6, 1999 as a limited company with a registered capital of RMB20,000,000.
- (6) 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) Xiamen Huaqiao City Real Estate Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Huaqiao City Real Estate Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;

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- (v) Yuzhou Overseas City Phase I, with a gross floor area of 137,372.37 sq m has passed the completion inspection; and
- (vi) The 16 car parking spaces is developed and invested by Xiamen Huaqiao City Real Estate Co., Ltd. which is approved with certificate of planning. Xiamen Huaqiao City Real Estate Co., Ltd. has the ownership of the 16 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Huaqiao City Real Estate Co., Ltd. even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
17. Various residential units, office units and car parking spaces of Yuzhou Overseas City Phase II, northwest of the intersection of Hexiang West Road and Hubin West Road, Siming District, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市思明區湖濱西路與禾祥西路交叉 口西北側 禹洲華僑海景城二期 部分住宅，部分寫字樓 及15個地下車位	The property comprises various residential units, various office units and 15 underground car parking spaces within a composite development completed in 2006. The property (except car parking spaces) has a total gross floor area of approximately 2,077.55 sq m. The land use rights of the property have been granted for various terms expiring on August 27, 2072 for residential use and expiring on August 27, 2042 for commercial use.	The office units are owner-occupied whilst the remaining portion is vacant.	RMB43,000,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00001821 dated August 3, 2005 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 27,702.72 sq m have been granted to Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司).
- (2) Pursuant to the 9 Real Estate Title Certificates Nos. 00606157, 00606158, 00606159, 00606161, 00606162, 00606163, 00606164, 00606165 and 00606166 issued by Municipality of Xiamen Government dated February 18, 2008 issued by Land Resources and Housing Bureau, the property with a gross floor area of 1,115.84 sq m is granted to Xiamen Huaqiao City Real Estate Co., Ltd. for a term from August 28, 2002 to August 27, 2052 for office use.
- (3) Pursuant to Grant Contract of Land Use Rights No. (92) 005 dated January 14, 2000 and its supplemental agreement, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 27,708.861 sq m had been granted to Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司) at a consideration of RMB87,760,122.84.
- (4) Pursuant to Commodity Housing Pre-sale Permits No. 20050012 issued by Xiamen State-owned Land Resources and Housing Bureau on November 9, 2005, Yuzhou Overseas City Phase II with a total gross floor area of approximately 100,644.51 sq m are permitted to be pre-sold.
- (5) Pursuant to Construction Work Completion Examination Certificate No. 350200200610191484 dated October 19, 2006 issued by Xiamen Construction and Management Bureau, Blocks 6 to 9 of Yuzhou Overseas City Phase II with a gross floor area of approximately 103,546.71 sq m was completed.
- (6) According to Business Licence No. 350200400013117 Xiamen Yuzhou Real Estate Development Co., Ltd., Xiamen Huaqiao City Real Estate Co., Ltd. (廈門華僑城房地產開發有限公司) was established on September 6, 1999 as a limited company with a registered capital of RMB20,000,000.

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- (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) Xiamen Huaqiao City Real Estate Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Huaqiao City Real Estate Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (v) Yuzhou Overseas City Phase II, with a gross floor area of 103,546.71 sq m has passed the completion inspection; and
 - (vi) The 15 car parking spaces is developed and invested by Xiamen Huaqiao City Real Estate Co., Ltd. which is approved with certificate of planning. Xiamen Huaqiao City Real Estate Co., Ltd. has the ownership of the 15 car parking spaces, which can be legally transferred, leased and/or mortgaged by Xiamen Huaqiao City Real Estate Co., Ltd. even the title certificates of the aforesaid car parking spaces cannot be currently applied.
- (8) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Real Estate Title Certificate | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
18. Garage No. 27 of Block 5, Yuzhou New Manor, Nos. 414-417 Nanshan Road, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市湖裏區南 山路414-417號 禹洲新村 5號樓27號車庫	The property comprises a garage of a composite development completed in 1998. The land use rights of the property have been granted for various terms expiring on December 24, 2065 for residential use, expiring on December 24, 2045 for office use and expiring on December 24, 2035 for commercial use.	The property is vacant.	RMB170,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. (97) 029 dated January 31, 1997, the land use rights of the property with a site area of approximately 23,530.40 sq m have been granted to Xiamen Yuzhou Property Development Co., Ltd. (廈門禹洲房地產開發有限公司).
- (2) Pursuant to Real Estate Title Certificate No. 00185567, the land use rights and building ownership of the property comprising a distributed site area of approximately 4.47 sq m and total gross floor area of approximately 20.72 sq m have been vested in Xiamen Yuzhou Property Development Co., Ltd. for a land use term of 50 years for car parking space use from December 25, 1995.
- (3) According to Business Licence No. 350200200013266 Xiamen Yuzhou Property Development Co., Ltd., (廈門禹洲房地產開發有限公司) was established on February 25, 1999 as a limited company with a registered capital of RMB23,600,000.
- (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) Xiamen Yuzhou Property Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights; and
 - (iii) Xiamen Yuzhou Property Development Co., Ltd. is the sole legal land user of the property.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Construction Works Completion Examination Certificate	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
19. Various office units and car parking spaces of Shanghai Yuzhou International Tower (Phase I of Yuzhou Jingqiao International), No. 333 Jingang Road, Pudong New Area, Shanghai, the PRC	The property comprises various office units and 135 car parking spaces of Shanghai Yuzhou International Tower completed in 2008. The office portion of the property has a total gross floor area of approximately 672.95 sq m.	The property was vacant.	RMB32,000,000
中華人民共和國上海市浦東新區金港路333號禹洲金橋國際一期上海禹洲國際大廈寫字樓及車位	The land use rights of the properties have been granted to the Group for a term expire on October 12, 2048 for commercial/office use.		

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership No. (2008) 031381 dated May 6, 2008, the building ownership of the property with a total gross floor area of approximately 34,433.99 sq m, had been vested in Shanghai Yuejiang Realty Co., Ltd. (上海悦江置業有限公司) with a site area of 6,868 sq m..
- (2) Pursuant to Transfer Contract of Land Use Rights No. JQ92X607X entered into between Shanghai Jinqiao Joint Investment Development Company (Party A) and Shanghai Wushang Property Development Company (Party B) dated December 23, 1992, the land use rights of the property have been granted to Party B with particulars as follows:-
 - (i) Site Area : 6,928 sq.m.
 - (ii) Land Usage : N/A
 - (iii) Land Use Term : 50 years
 - (iv) Plot Ratio : 4.0
 - (v) Land Premium : USD3,741,120
- (3) Pursuant to Agreement of Change Endorser and Grantee under Transfer Contract of Land Use Rights No. JQ92X607X (Agreement No. JQ95X498X-113) dated November 15, 1995, the land use rights of the property with a total site area of 6,868 sq m have been granted to Shanghai Xingjiang Industrial Company at a consideration of USD3,708,720.
- (4) According to Business Licence No. 3101152023788, Shanghai Yuejiang Property Co, Ltd. was established on March 21, 2005 as a limited company with a registered capital of RMB48,000,000.
- (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) Shanghai Yuejiang Realty Co, Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Shanghai Yuejiang Property Co, Ltd. is the sole legal land user of the property; and
 - (iv) All land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled.

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PROPERTY VALUATION

- (6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Business Licences	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
20. Various office units and car parking spaces of Shanghai Yuzhou Jingqiao International Tower (Phase II of Yuzhou Jingqiao International), Lane 50 Jingyu Road, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市浦東新區金豫路50弄禹洲金橋國際二期上海禹洲金橋國際大廈寫字樓及車位	The property comprises various office units and 130 car parking spaces of Shanghai Yuzhou Jingqiao International Tower completed in May 2009. The office portion of the property has a total gross floor area of approximately 45,523.65 sq m. The land use rights of the property have been granted for a term expiring on August 29, 2050 for composite use.	The property is currently vacant.	RMB800,000,000

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership No. (2009)050110 dated July 17, 2009, the building ownership rights of the property with a gross floor area of approximately 49,553.15 sq m, have been vested in Shanghai Kangtai Real Estate Development Co, Ltd. (上海康泰房地產開發有限公司).
- (2) According to Transfer Contract of Land Use Rights No. JQ93X301H entered into between Shanghai Jinqiao Export Processing Zone Joint Development Company (Party A) and Yizheng Chemical Fibre Group Shanghai Orient Company (Party B) dated May 8, 1993, the land use rights of the property have been granted to Party B with particulars as follows:-
 - (i) Site Area : 13,922 sq m
 - (ii) Land Usage : N/A
 - (iii) Land Use Term : 50 years
 - (iv) Plot Ratio : 4.0
 - (v) Land Premium : USD7,128,064
- (3) Pursuant to the pre-sale contracts entered into between Shanghai Kangtai Real Estate Development Co., Ltd. and individual buyers, the date of delivery is June 30, 2009. However, as advised by the Group, as at the date of valuation, only 7 office units were delivered. There were 786 office units which have not been delivered as prescribed in the pre-sale contract. In the course of our valuation, we have included those 786 units and the corresponding consideration of RMB723,422,488 but excluded any penalty charges which may arisen therefrom.
- (4) According to Business Licence No. 3101152022012, Shanghai Kangtai Real Estates Development Co, Ltd. was established on January 18, 1993 as a limited company with a registered capital of RMB30,000,000.
- (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 with a site area of 13,924 sq m is mortgaged to Bank of China, Shanghai Pudong Development District sub-branch for a loan of RMB100,000,000 with the security term from March 30, 2007 to March 30, 2009. Under such mortgage contract, Shanghai Kangtai Real Estates Development Co, Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without Bank of China's agreement in the mortgage period;
 - (ii) Shanghai Kangtai Real Estate Development Co, Ltd. has lawfully owned the land use rights of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;

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PROPERTY VALUATION

- (iii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Shanghai Kangtai Real Estates Development Co, Ltd. is the sole legal land user of the property; and
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled.
- (6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Business Licences	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
21. The remaining unsold portion of Yuzhou Golden Seacoast, (Lot A), west of Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC	The property comprises various residential units and 124 car parking spaces on basement levels within Yuzhou Golden Seacoast completed in 2009.	As at the date of valuation, the property is vacant.	RMB280,000,000
(中華人民共和國福建省廈門市海滄區興港路西側華僑金海岸(位於A地塊)餘下未售部分)	The residential units of the property except the car parking units have a total gross floor area of approximately 33,685.85 sq m.		
	The land use rights of the property have been granted for various terms due to expire on February 29, 2076 for residential use, due to expire on February 28, 2046 for commercial use.		

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00005685 dated November 2, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 34,027.49 sq m have been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2006) 001 dated February 16, 2006 and its supplemental agreement dated August 17, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 70,793.328 sq m had been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) at a consideration of RMB376,000,000.
- (3) Pursuant to Planning Permit for Construction Use of Land No. (2006) 0073 dated May 19, 2006 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Yuzhou Huaqiaocheng with an site area of approximately 70,793.328 sq m is in compliance with the urban planning requirements.
- (4) Pursuant to Planning Permit for Construction Works No. (2006) 0096 dated October 20, 2006 issued by Xiamen Urban Planning Bureau, Yuzhou Huaqiaocheng with a total gross floor area of approximately 243,097.60 sq m is in compliance with the urban construction requirements and is approved.
- (5) Pursuant to Permit for Commencement of Construction Works No. 350211200609280201 dated September 28, 2006 issued by Xiamen Construction and Management Bureau, the construction work of Zone A, Yuzhou Huaqiaocheng with a total gross floor area of approximately 120,309.20 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) Pursuant to Commodity Housing Pre-sale Permit No. (2007) 0096 issued by Xiamen State-owned Land Resources and Housing Bureau on October 19, 2007, Zone A, Yuzhou Huaqiaocheng with a total gross floor area of approximately 106,491.69 sq m are permitted to be pre-sold.
- (7) Pursuant to the Construction Completion Examination Certificate No. 350200200906032087 dated June 3, 2009 issued by Xiamen Construction and Management Bureau, Block 1 to 4 and basement levels of Yuzhou Huaqiao City with a total gross floor area of 112,773.883 sq m was completed.

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PROPERTY VALUATION

- (8) Pursuant to Business Licence No. 07085, Xiamen Yuzhou Group Realty Invest Co., Ltd. was established on June 20, 2006 as a limited company with a registered capital of RMB20,000,000.
- (9) As advised by the Group, a total residential gross floor area of 32,697.07 sq m has been pre-sold at a total consideration of RMB248,599,574 and yet to be delivered. In the course of our valuation, we have included such pre-sold portions.
- (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 of the property with a site area of 34,027.49 sq m is mortgaged to the China Construction Bank, Xiamen Branch as part of the consideration for a loan of RMB200,000,000 with the security term from November 20, 2006 to November 12, 2009. Under such mortgage contract, Xiamen Yuzhou Group Realty Invest Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without China Construction Bank’s agreement in the mortgage period;
 - (ii) Xiamen Yuzhou Group Realty Invest Co., Ltd. is the sole legal land user of the property;
 - (iii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Yuzhou Group Realty Invest Co., Ltd. has the right to occupy and use the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vi) The occupation and use of the land of Xiamen Yuzhou Group Realty Invest Co., Ltd. do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property;
 - (vii) Xiamen Yuzhou Group Realty Invest Co., Ltd. is applying the project approval documents from relevant authority; and
 - (viii) The construction of the buildings with a total gross floor area of 243,097.75 sq m has been obtained the approval from the relevant government authorities.
- (11) The status of title and grant of major approvals and licences pursuant to the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificates | Yes |
| Grant Contract of Land Use Right | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Constructions Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licence | Yes |

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
22. The remaining unsold portion of Phase I of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC (中華人民共和國福建省廈門市廈禾路第75號地塊禹洲世貿國際一期未售住宅部分)	The property comprises various residential units within Yuzhou World Trade Center Phase I completed in 2008. The residential units of the property have a total gross floor area of approximately 14,975.27 sq m. The land use rights of the property have been granted for various terms due to expire on January 9, 2068 for residential use, due to expire on January 9, 2048 for office use and due to expire on January 9, 2038 for commercial use.	As at the date of valuation, the property is vacant.	RMB224,000,000

Notes:

- (1) Pursuant to Certificate of Real Estate Ownership No. 00000301 dated July 3, 2001 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門貴豐房地產開發有限公司), the land use rights of the property with a site area of approximately 15,686.60 sq m have been granted to Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (98) 038 dated April 8, 1998, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 19,454.644 sq m had been granted to Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司) at a consideration of RMB24,001,668.
- (3) Pursuant to Commodity Housing Pre-sale Permits No. 19990006 issued by Xiamen State-owned Land Resources and Housing Bureau on June 27, 2007, Phase I of Yuzhou World Trade Center with a total gross floor area of approximately 119,811.25 sq m are permitted to be pre-sold.
- (4) Pursuant to the Construction Completion Examination Certificate No. 350200200706181614 and 350200200812161953 dated June 18, 2007 and December 16, 2008 respectively issued by Xiamen Construction and Management Bureau, Block D and Block A of Phase I with a total gross floor area of 58,766.48 sq mm was completed.
- (5) Pursuant to Business Licence No. 350200400022169, Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司) was established on November 19, 1992 as a limited company with a registered capital of USD5,000,000.
- (6) As advised by the Group, a total residential gross floor area of 7,693.44 sq m has been pre-sold at a total consideration of RMB92,525,189 and yet to be delivered. In the course of our valuation, we have included such pre-sold portions.
- (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) Xiamen Richville Development Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) the property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Richville Development Ltd. is the sole legal land user of the property;

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- (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
- (v) The construction of the buildings with a total gross floor area of 136,781.14 sq.m. has been obtained the approval from the relevant government authorities.
- (8) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit of Constructions Works	Yes
Pre-sale Permit	Yes
Construction Work Completion Examination Certificate	Yes
Business Licences	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
23. Various residential units and car parking spaces of Galaxy Garden, Fanghu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省 廈門市湖裏區枋湖 星洲花園	The property is erected on a parcel of land with a total site area of approximately 26,366.80 sq m. The property comprises various residential units with a gross floor area of 36,107.64 sq.m. and 126 car parking spaces on basement level 1 within a residential development completed in 2008. The land use rights of the property have been granted for a term expiring on December 30, 2074 for residential use.	The property is vacant.	RMB402,000,000

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. 00004344 dated April 24, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 26,366.80 sq m have been granted to Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司)
- (2) Pursuant to Grant Contract of Land Use Rights No. (2005) 012 dated February 24, 2005, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 26,366.813 sq m had been granted to Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) at a consideration of RMB54,306,000.00.
- (3) Pursuant to Supplemental Contract No. 1 of Grant Contract of Land Use Rights No. (2005) 12 dated October 17, 2006, Xiamen Yaozhou Real Estate Development Company (廈門堯洲房地產開發有限公司) should pay an additional land premium of RMB74,476,565.80 for the change in aboveground gross floor area to 73,270 sq m.

Pursuant to Supplemental Contract No. 2 of Grant Contract of Land Use Rights No. (2005) 12 dated July 3, 2007, Xiamen Yuzhou Real Estate Development Company (廈門堯洲房地產開發有限公司) should pay an additional land premium of RMB31,887,271.67 for the change in aboveground gross floor area to 77,362.33 sq m.
- (4) Pursuant to Commodity Housing Pre-sale Permit No. 20070073 issued by Xiamen State-owned Land Resources and Housing Bureau on August 13, 2007, Xingzhou Garden with a total gross floor area of approximately 77,094.59 sq m are permitted to be pre-sold.
- (5) Pursuant to Construction Work Completion Examination Certificate No. 350200200812191962, Galaxy Garden has passed the registration procedure on December 19, 2008.
- (6) As advised by the Group, the residential property with a gross floor area of 498.62 sq m have been subscribed for a total consideration of RMB5,749,773. In the course of our valuation, we have taken into account the above selling price of the pre-sold space.
- (7) As advised by the Group, the residential property with a gross floor area of 32,440.14 sq m have been pre-sold for a total consideration of RMB325,157,388. In the course of our valuation, we have taken into account the above selling price of the pre-sold space.

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- (8) According to Business Licence No. 350200400002422, Xiamen Yuzhou Real Estate Development Company (廈門堯洲房地產開發有限公司) was established on March 27, 1998 as a limited company with a registered capital of RMB10,800,000.
- (9) 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) Xiamen Yaozhou Real Estate Development Company has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Yaozhou Real Estate Development Company is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (v) The construction of the buildings with a total gross floor area of 93,426.634 sq m has been obtained the approval from the relevant government authorities; and
 - (vi) Pursuant to the Construction Work Completion Examination Certificate Form No. 350206200806106, the gross floor area with 1,381.266 sq m of the property is exceeded planning approval. The exceeding portion of the property cannot be sold unless Xiamen Yaozhou Real Estate Development Company pays an additional land premium for the gross floor area beyond planning approval.
- (10) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Construction Work Completion Examination Certificate | Yes |
| Business Licences | Yes |

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property held by the Group for owner occupation in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
24. Units 2804, 2805 and 2806, Xindouhui Huanqiu Plaza, Maanshan Road, Hefei, Anhui Province, the PRC 中華人民共和國安徽省 合肥市馬鞍山路 新都會環球廣場 2804, 2805, 2806單位	The property comprises three office units on 28th floor of a 28-storey office building completed in 2006. The property has a gross floor area of approximately 479 sq m. The land use rights of the property have been granted for a term due to expire on October 12, 2048 for office use.	As at the date of valuation, the property is occupied by the Group.	RMB3,600,000

Notes:

- (1) Pursuant to Certificate of Real Estate Ownership No. 2008013979 dated September 12, 2008, the building ownership of the property, with a total gross floor area of approximately 479 sq m, has been vested in Hefei Ludong Real Estate Development Co, Ltd. (合肥廬東房地產開發有限責任公司) for office use.
- (2) Pursuant to the Agreement of Sale and Purchase of Property entered into between Kwok Ying Lan (Party A) and Hefei Ludong Real Estate Development Co., Ltd. (Party B) dated August 8, 2008, Party B has agreed to purchase the property with a total gross floor area of approximately 479 sq m at a consideration of RMB2,537,538.
- (3) According to Business Licence No. 340123000006592(1-1), Hefei Ludong Real Estate Development Co, Ltd. was established on January 16, 2006 as a limited company with a registered capital of RMB8,000,000.
- (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) Hefei Ludong Real Estate Development Co, Ltd. is the sole legal land user of the property.
 - (ii) Hefei Ludong Real Estate Development Co, Ltd. has the ownership of the property which can be legally occupied, used, leased, mortgaged and transferred.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

Certificate of Real Estate Ownership	Yes
Business Licences	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009														
25. Various residential units, retail units and car parking spaces, Oriental Venice Phase I, Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC	The property comprises various residential units on various levels of a residential block and various retail units of a 2-storey commercial podium and 50 car parking spaces on basement 1 within a residential development with commercial facilities. The property is scheduled to be completed in March 2010. The property has a total gross floor area of approximately 20,707.92 sq m with details as follows:-	The property is vacant.	RMB204,000,000														
中華人民共和國福建省 福州市倉山區城門鎮龍江村 東方威尼斯一期 部分住宅、商業	<table><tr><th>Portion</th><th>Approximate Gross Floor Area (sq m)</th></tr><tr><td>Residential</td><td>13,415.92</td></tr><tr><td>Retail</td><td>1,621.68</td></tr><tr><td>Clubhouse</td><td>2,273.01</td></tr><tr><td>Basement</td><td>1,893.00</td></tr><tr><td>Others</td><td>1,504.31</td></tr><tr><td>Total:</td><td>20,707.92</td></tr></table>	Portion	Approximate Gross Floor Area (sq m)	Residential	13,415.92	Retail	1,621.68	Clubhouse	2,273.01	Basement	1,893.00	Others	1,504.31	Total:	20,707.92		(80% interest attributable to the Group: RMB163,200,000)
Portion	Approximate Gross Floor Area (sq m)																
Residential	13,415.92																
Retail	1,621.68																
Clubhouse	2,273.01																
Basement	1,893.00																
Others	1,504.31																
Total:	20,707.92																
	The land use rights of the property have been granted for a term for 70 years from March 13, 2002 for residential use.																

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. (2002) P07406 dated March 13, 2002 issued by Fuzhou Land Resources and Housing Bureau (福州市土地管理局), the land use rights of the property with a site area of approximately 195,567 sq m is held by Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) for residential use.
- Pursuant to Grant Contract of Land Use Rights No. (2001) 054 dated June 11, 2001, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 195,567 sq m had been granted to Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) at a consideration of RMB31,913,505.
- Pursuant to Supplemental Contract No. 1 — 2007 of Grant Contract of Land Use Rights No. (2001) 054 dated August 23, 2007, Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) should pay a urban facilities fee of RMB5,867,010 to Fuzhou Land Resources Bureau (福州市土地管理局).
- Pursuant to 4 Planning Permit for Construction Work Nos. (2004) 10140, (2005) 00030, (2006) 000147 and (2006) 000200 dated between February 2, 2005 to July 16, 2007 issued by Fuzhou Urban Planning Bureau, Zone A, B. Block H-29, H-30, 122-127 of Zone C, Phase I, Oriental Venice, with a total gross floor area of approximately 80,902.454 sq m is in compliance with the urban construction requirements and is approved.

APPENDIX V

PROPERTY VALUATION

- (5) Pursuant to 7 Permit for Commencement of Construction Work No. (2004) 132-01, 132-02, 132,03, 154-01, 154-02, 172, and 174 dated between September 14, 2004 to September 27, 2009 issued by Fuzhou Cangshan Construction Bureau, Phase I, Oriental Venice with a total gross floor area of approximately 80,902.41 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) Pursuant to 11 Commodity Housing Pre-sale Permits Nos. (2004) 1890, (2004) 1933, 2005 (2089), (2005) 2030, (2006) 2232, 2654, 2655, 2660, 2661, 2663 and 2668 issued by Fuzhou Housing Bureau (福州市房地產管理局) Phase I of Oriental Venice with a total gross floor area of approximately 77,517 sq m are permitted to be pre-sold.
- (7) According to Business Licence No. 3501002002231, Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) was established with a registered capital of RMB40,000,000 for a valid operation period from January 28, 1999 to January 28, 2019.
- (8) 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) Fujian Big World Huaxia Real Estate Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The property is free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Fujian Big World Huaxia Real Estate Development Co., Ltd. is the sole legal land user of the property; and
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled.
- (9) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Commencement Permit of Constructions Works | Yes |
| Pre-sale Permit | Yes |
| Business Licences | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009												
26. Oriental Venice Phase II, Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC 中華人民共和國 福建省福州市倉山區城門鎮龍江村 東方威尼斯二期	The property is erected on a parcel of land with a site area of approximately 143,653 sq m. Upon completion, the property will comprise 69 villas, 52 semi-detached houses, low-rise and high-rise residential buildings. There will be 95 car parking spaces. The property is scheduled to be completed in December 2009. The property has a total planned gross floor area of approximately 67,778.64 sq m with details as follows:- <table><tr><th>Planned Portion</th><th>Approximate Planned Gross Floor Area (sq m)</th></tr><tr><td>Above ground residential</td><td>57,438.51</td></tr><tr><td>Under ground residential</td><td>6,509.18</td></tr><tr><td>Others</td><td>370.23</td></tr><tr><td>Basement</td><td>3,460.72</td></tr><tr><td>Total</td><td>67,778.64</td></tr></table> The land use rights of the property have been granted for various terms expiring on June 17, 2072 for residential use and expiring on June 17, 2042 for commercial, tourism and entertainment uses.	Planned Portion	Approximate Planned Gross Floor Area (sq m)	Above ground residential	57,438.51	Under ground residential	6,509.18	Others	370.23	Basement	3,460.72	Total	67,778.64	The property is under construction.	RMB800,000,000 (80% interest attributable to the Group: RMB640,000,000)
Planned Portion	Approximate Planned Gross Floor Area (sq m)														
Above ground residential	57,438.51														
Under ground residential	6,509.18														
Others	370.23														
Basement	3,460.72														
Total	67,778.64														

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. (2004) 00487600097 dated April 30, 2004, the land use rights of a parcel of land with a site area of approximately 143,653 sq m had been granted to Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (2002) 062 dated June 18, 2002, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 143,653 sq m had been granted to Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司).
- Pursuant to Supplemental Grant Contract of Land Use Rights No. (2002) 062-1-2006, Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) should pay an additional land premium of RMB4,872,810 to Fuzhou Land Resources Bureau (福州市國土資源局) as public facilities fees.
- Pursuant to Planning Permit for Construction Use of Land No. (2006) 00298 dated September 29, 2006 issued by Fuzhou Urban Planning Bureau, the construction site of a parcel of land for the development of Phase II, Oriental Venice with an site area of approximately 143,572 sq m is in compliance with the urban planning requirements.

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PROPERTY VALUATION

- (5) Pursuant to 6 Planning Permit for Construction Works Nos. (2007) 00031, 00032, 00033, 00034, 00035 and 00144 dated March 1, 2007 and August 17, 2007 respectively issued by Fuzhou Urban Planning Bureau, Phase II, Oriental Venice with a total gross floor area of approximately 53,962.95 sq m is in compliance with the urban construction requirements and is approved.
- (6) Pursuant to 2 Permit for Commencement of Construction Works Nos. (2007) 178 and (2007) 144 dated March 6, 2007 and November 21, 2007 respectively issued by Fuzhou Cangshan Construction Bureau, the construction work of Phase II, Oriental Venice with a total gross floor area of approximately 53,963.29 sq m are in compliance with the requirements for works commencement and are permitted.
- (7) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB102,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB137,000,000. In the course of our valuation, we have taken such costs into account.
- (8) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB1,090,000,000.
- (9) Pursuant to various Commodity Housing Pre-sale Permits Nos. 2633, 2634, 2635, 2642, 2643 and 2645 issued by Fuzhou State-owned Land Resources and Housing Bureau on September 25, 2008 and September 28, 2008 respectively, Oriental Venice Phase II with a total gross floor area of approximately 48,988 sq m are permitted to be pre-sold.
- (10) Pursuant to Business Licence No. 3501002002231, Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) was established on January 28, 1999 as a limited company with a registered capital of RMB40,000,000 for a valid operation period from January 28, 1999 to January 28, 2019.
- (11) As advised by the Group, as at the date of valuation, 10 residential units and 6 villas have been pre-sold for a total consideration of RMB70,539,718. In the course of our valuation, we have taken into account of the above contracted selling prices of the pre-sold area and spaces.
- (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 with a site area of 90,345.15 sq m and the construction works with a total area of 33,938.18 thereon is mortgaged to the China Construction Bank, Fuzhou branch for a loan of RMB200,000,000. Under such mortgage contract, Fujian Big World Huaxia Real Estate Development Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without the China Construction Bank’s agreement in the mortgage period;
 - (ii) Fujian Big Huaxia Real Estate Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (iii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Fujian Big Huaxia Real Estate Development Co., Ltd. is the sole legal land user of the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (vi) The construction of the property with a gross floor area of 53,965.64 sq m has been obtained the approval from the relevant government authorities.

APPENDIX V**PROPERTY VALUATION**

- (13) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
27. Yuzhou Gu Shan No. One, Niushan Village, Yangli, Gushan Town, Jinan District, Fuzhou, Fujian Province, the PRC	The property is erected on a parcel of land with a site area of approximately 234,160 sq m.	The property is under construction.	RMB1,560,000,000 (60% interest attributable to the Group: RMB936,000,000)
中華人民共和國 福建省福州市晉安區鼓 山鎮洋裏牛山村 鼓山一號	The property is scheduled to be completed in 2010. The property has a total planned gross floor area of approximately 87,575.75 sq m with details as follows:-		

<u>Planned Portion</u>	<u>Approximate Planned Gross Floor Area (sq m)</u>
Residential	63,398.59
Others	984.78
Basement	23,192.38
Total:	<u>87,575.75</u>

The land use rights of the property have been granted for various terms expiring on November 28, 2063 for residential use.

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. (2004) 00524100046 dated March 17, 2004, the land use rights of the property with a site area of approximately 234,160 sq m have been granted to Goastal Greenland Development (Fujian) Limited (沿海綠色家園發展 (福建) 有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (2004) 003 dated February 19, 2004, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 234,160 sq m have been granted to Goastal Greenland Home Development (Fujian) Limited (沿海綠色家園發展 (福建) 有限公司) at a consideration of RMB54,306,000.
- Pursuant to Planning Permit for Construction Use of Land No. (2007) 00192 dated May 14, 2007 issued by Fuzhou Urban Planning Bureau, the construction site of a parcel of land for the development of Gushan Garden with an site area of approximately 234,160.20 sq m is in compliance with the urban planning requirements.
- Pursuant to 5 Planning Permit for Construction Works Nos. (2006) 00178, 00179, 00180, 00181 and 00182 dated September 7, 2006 issued by Fuzhou Urban Planning Bureau, No. 1 Gushan with a total gross floor area of approximately 87,731.89 sq m is in compliance with the urban construction requirements and is approved.

APPENDIX V

PROPERTY VALUATION

- (5) Pursuant to Permit for Commencement of Construction Works No. 350005200609120201 dated September 19, 2006 issued by Fuzhou Cangshan Construction Bureau, the construction work of Block No.1-1 to 64, No.2-1 to 24, No.3-1 to 58 and the clubhouse and facilities, No. 1 Gushan with a total gross floor area of approximately 88,287.45 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB237,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB76,300,000. In the course of our valuation, we have taken such costs into account.
- (7) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB1,900,000,000.
- (8) Pursuant to Business Licence No. 002753, Goastal Greenland Development (Fujian) Limited (沿海綠色家園發展 (福建) 有限公司) was established on January 11, 1991 as a limited company with a registered capital of USD 10,000,000.
- (9) 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 with a site area of 234,160 sq m is mortgaged to the China Construction Bank, Fuzhou Jinan branch for a loan of RMB150,000,000 with the security term from May 16, 2008. Under such mortgage contract, Goastal Greenland Development (Fujian) Limited. cannot lease, transfer, mortgage and dispose of the land use rights of the property without the China Construction Bank’s agreement in the mortgage period;
 - (ii) Goastal Greenland Development (Fujian) Limited has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitative proceeding or action against the land use rights;
 - (iii) Other than above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Goastal Greenland Development (Fujian) Limited is the sole legal land user of the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (vi) The construction of the property with a gross floor area of 88,787.10 sq m has been obtained the approval from the relevant government authorities.
- (10) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009																						
28. Yuzhou Diyuan Manor, Fanghu, Huli District, Xiamen, Fujian Province, the PRC 中華人民共和國福建省廈門市湖裏區枋湖禹洲締元山莊	The property is erected on a parcel of land with a site area of approximately 52,715.42 sq m. Upon completion, the property will comprise 10 blocks of 13- or 14-storey residential buildings erected on a single-storey basement. There will be 526 car parking spaces. The property is scheduled to be completed in 2011. The property has a total planned gross floor area of approximately 193,767.28 sq m with details as follows:- <table><tr><th>Planned Portion</th><th>Approximate Planned Gross Floor Area (sq m)</th></tr><tr><td>Above ground</td><td></td></tr><tr><td>Commercial</td><td>1,661.40</td></tr><tr><td>Office</td><td>10,916.61</td></tr><tr><td>Residential</td><td>131,527.80</td></tr><tr><td>Kindergarten</td><td>2,757.96</td></tr><tr><td>Others</td><td>2,363.20</td></tr><tr><td>Under ground</td><td></td></tr><tr><td>Basement Car Parks</td><td>26,671.24</td></tr><tr><td>Others</td><td>17,869.07</td></tr><tr><td>Total:</td><td>193,767.28</td></tr></table>	Planned Portion	Approximate Planned Gross Floor Area (sq m)	Above ground		Commercial	1,661.40	Office	10,916.61	Residential	131,527.80	Kindergarten	2,757.96	Others	2,363.20	Under ground		Basement Car Parks	26,671.24	Others	17,869.07	Total:	193,767.28	The property is under construction.	RMB1,350,000,000 (98% interest attributable to the Group: RMB1,323,000,000)
Planned Portion	Approximate Planned Gross Floor Area (sq m)																								
Above ground																									
Commercial	1,661.40																								
Office	10,916.61																								
Residential	131,527.80																								
Kindergarten	2,757.96																								
Others	2,363.20																								
Under ground																									
Basement Car Parks	26,671.24																								
Others	17,869.07																								
Total:	193,767.28																								
	The land use rights of the property have been granted for various terms expiring on December 23, 2076 for residential use, expiring on December 23, 2056 for office, car parking space and educational uses and expiring on December 23, 2046 for commercial and hotel uses.																								

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. 00006207 dated September 27, 2007 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 52,715.42 sq m have been granted to Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. (廈門帝元保稅儲運有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (2006) 016 dated August 1, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 45,780.638 sq m had been granted to Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. (廈門帝元保稅儲運有限公司) at a consideration of RMB54,306,000.

APPENDIX V

PROPERTY VALUATION

- (3) Pursuant to Supplemental Contract No. 1 of Grant Contract of Land Use Rights No. (2006) 016 dated November 14, 2006, Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. (廈門帝元保稅儲運有限公司) should pay an additional land premium of RMB212,790,996 for the changes in site area to 52,715.534 sq m, aboveground gross floor area to 147,600 sq m and plot ratio to 2.8.

Pursuant to Supplemental Contract No. 2 of Grant Contract of Land Use Rights No. (2006) 016 dated August 14, 2007, the new land use terms are: from December 23, 2006 to December 23, 2076 for residential use; from December 23, 2006 to December 23, 2056 for office, car parking space and education uses and; from December 23, 2006 to December 23, 2046 for commercial and hotel uses.
- (4) Pursuant to Planning Permit for Construction Use of Land No. (2006) 0177 dated May 24, 2006 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Yuzhou Diyuan Manor with a site area of approximately 61,412.425 sq m is in compliance with the urban planning requirements.
- (5) Pursuant to Approval Letter to Adjustment of Land Use Area of Construction of Commodity Housing for Yuzhou Diyuan Manor (No. [2006] 413) issued by the Xiamen Municipal People’s Government, the total site area of the property was amended to 61,412.425 sq m, and a total GFA of 147,600 sq m shall not be exceeded.
- (6) Pursuant to 2 Planning Permits for Construction Works Nos. (2007) 0052 and (2007) 0254 dated March 20, 2007 and December 4, 2007 respectively issued by Xiamen Urban Planning Bureau, Yuzhou Diyuan Manor with a total gross floor area of approximately 164,689.49 sq m is in compliance with the urban construction requirements and is approved.

Pursuant to Approval Letter No. (2008) 28 dated January 30, 2008 issued by Xiamen Urban Planning Bureau, the gross floor area of basement increase from 18,133.52 sq m to 44,540.312 sq m and the number of car parking spaces in the basement level increase from 280 to 802.
- (7) Pursuant to Permit for Commencement of Construction Works No. 350200200703300501 dated March 30, 2007 issued by Xiamen Construction and Management Bureau, the construction works of Basement, the aboveground portion of Block Nos. 4 to 10 and kindergarten of Yuzhou Diyuan Manor, with a total gross floor area of approximately 101,812.57 sq m are in compliance with the requirements for works commencement and are permitted.
- (8) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB149,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB328,000,000. In the course of our valuation, we have taken such costs into account.
- (9) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB2,300,000,000.
- (10) Pursuant to Business Licence No. 05423, Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. (廈門帝元保稅儲運有限公司) was established on November 17, 1994 as a limited company with a registered capital of RMB8,000,000.
- (11) As advised by the Group, as at the date of valuation, the Group held 95% share of Xiamen Diyuan Bonded Storage and Distribution Co. Ltd.. Subsequent to the increase in investment capital by the Group in November 2008, Xiamen Diyuan Bonded Storage and Distribution Co. Ltd. is now a 98% beneficially owned subsidiary of the Group.

APPENDIX V

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 of the property with a site area of 52,715.42 sq m is mortgaged to Industrial and Commercial Bank of China Limited, Xiaman Chengjian branch for a loan of RMB370,000,000 with the security term from December 6, 2007 to June 29, 2011. Under such mortgage contract, Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without Industrial and Commercial Bank of China Limited’s agreement in the mortgage period;
 - (ii) Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (iii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. is the sole legal land user of the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (vi) The construction of the buildings with a total gross floor area of 101,812.57 sq m has been obtained the approval from the relevant government authorities.
- (13) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Business Licence | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
29. Yuzhou Gangyi Square, north of Minggong Building, Hubin South Road, Siming District, Xiamen, Fujian Province, the PRC	The property is erected on a parcel of land with a site area of approximately 3,333.09 sq m. Upon completion, the property will comprise a 40-storey office building erected on a 3-storey basement. There will be 278 car parking spaces. The property is scheduled to be completed in 2012. The property has a total planned gross floor area of approximately 60,250.62 sq m with details as follows:-	The property is under construction.	RMB600,000,000
中華人民共和國福建省 廈門市思明區湖濱南路 名宮大廈北側 禹洲港誼廣場	Planned Portion Office Others Basement Total:	Approximate Planned Gross Floor Area (sq m) 48,998.00 2,389.42 8,863.20 60,250.62	
	The land use rights of the property have been granted for a term expiring on November 11, 2054 for office use.		

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. 00003922 dated March 7, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 3,333.09 sq m have been granted to Xiamen Gangyi Real-Estate Co., Ltd. (廈門港誼置業有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (2006) 007 dated February 27, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 3,333.09 sq m had been granted to Xiamen Ganyi Real-Estate Co., Ltd. (廈門港誼置業有限公司) at a consideration of RMB27,458,613.50.
- Pursuant to Supplemental Contract No. 1 of Grant Contract of Land Use Rights No. (2006) 007 dated May 12, 2006, Xiamen Ganyi Real-Estate Co., Ltd. (廈門港誼置業有限公司) should pay an additional land premium of RMB 24,660,901.09 for the change in aboveground gross floor area to 48,998 sq m.
- Pursuant to Approval Letter of Change in Design of Gangyi Plaza No. (2008) 219 dated September 23, 2008 issued by Xiamen Urban Planning Bureau, the land use right of the land used for office has been transferred from Xiamen Construction Development Limited to Xiamen Gangyi Investment Limited.
- Pursuant to Planning Permit for Construction Use of Land No. (2004) 0236 dated October 11, 2004 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Huicheng Building with an site area of approximately 3,333.091 sq m is in compliance with the urban planning requirements.

APPENDIX V

PROPERTY VALUATION

- (6) Pursuant to Planning Permit for Construction Works No. (2006) 0185 dated October 26, 2006 issued by Xiamen Urban Planning Bureau, Gangyi Plaza with a total gross floor area of approximately 58,357.90 sq m is in compliance with the urban construction requirements and is approved.
- (7) Pursuant to Approval Letter of Change in Design of Gangyi Plaza No. (2008) 39 《廈門市規劃局關於同意港誼廣場施工圖局部調整的批復》厦規建「(2008) 39號」dated February 4, 2008 issued by Xiamen Urban Planning Bureau, the total gross floor area of Gangyi Plaza will be changed to 60,250.62 sq m (aboveground gross floor area: 51,387.42 sq m and underground gross floor area: 8,863.20 sq m).
- (8) Pursuant to Permit for Commencement of Construction Works No. 350200200709110101 dated September 11, 2007 issued by Xiamen Construction and Management Bureau, the construction work of Gangyi Plaza with a total gross floor area of approximately 58,357.90 sq m are in compliance with the requirements for works commencement and are permitted.
- (9) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB43,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB198,000,000. In the course of our valuation, we have taken such costs into account.
- (10) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB1,200,000,000.
- (11) According to Business Licence No. 07536 《企業法人營業執照》「註冊號企獨閩夏總副字第07536號」, Xiamen Ganyi Real-Estate Co., Ltd. (廈門港誼置業有限公司) was established on April 8, 2005 as a limited company with a registered capital of RMB5,000,000.
- (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 with a site area of 3,333.09 sq m is mortgaged to the China Construction Bank, Xiaman branch for a loan of RMB80,000,000 with the security term from June 27, 2008. Under such mortgage contract, Xiamen Ganyi Real-Estate Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without the China Construction Bank’s agreement in the mortgage period;
 - (ii) Xiamen Ganyi Real-Estate Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (iii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iv) Xiamen Ganyi Real-Estate Co., Ltd. is the sole legal land user of the property;
 - (v) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vi) Xiamen Ganyi Real-Estate Co., Ltd. is applying the project approval documents from relevant authority; and
 - (vii) The construction of the property with a gross floor area of 58,357.90 sq m has been obtained the approval from the relevant government authorities.
- (13) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009																								
30. Yuzhou Golden Seacoast, (Lot B), west of Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市海滄區興 港路西側B地塊 禹洲華僑金海岸	The property is erected on two parcels of land with a total site area of approximately 36,765.85 sq m. Upon completion, the property will comprise 8 blocks of 34-storey residential buildings erected on 2-storey basement. There will be 235 underground car parking spaces. The property is scheduled to be completed in September 2010. The property has a total planned gross floor area of approximately 120,715.02 sq m with details as follows:- <table><tr><th>Planned Portion</th><th>Approximate Planned Gross Floor Area (sq m)</th></tr><tr><td>Above ground</td><td></td></tr><tr><td>Residential</td><td>84,981.55</td></tr><tr><td>Commercial</td><td>11,273.79</td></tr><tr><td>Others</td><td>2,283.87</td></tr><tr><td>Sub-total</td><td>98,539.21</td></tr><tr><td>Under ground</td><td></td></tr><tr><td>Commercial</td><td>9,664.56</td></tr><tr><td>Car Parking Space</td><td>11,453.90</td></tr><tr><td>Other</td><td>1,057.35</td></tr><tr><td>Sub-total</td><td>22,175.81</td></tr><tr><td>Total:</td><td>120,715.02</td></tr></table>	Planned Portion	Approximate Planned Gross Floor Area (sq m)	Above ground		Residential	84,981.55	Commercial	11,273.79	Others	2,283.87	Sub-total	98,539.21	Under ground		Commercial	9,664.56	Car Parking Space	11,453.90	Other	1,057.35	Sub-total	22,175.81	Total:	120,715.02	The property is under construction.	RMB700,000,000
Planned Portion	Approximate Planned Gross Floor Area (sq m)																										
Above ground																											
Residential	84,981.55																										
Commercial	11,273.79																										
Others	2,283.87																										
Sub-total	98,539.21																										
Under ground																											
Commercial	9,664.56																										
Car Parking Space	11,453.90																										
Other	1,057.35																										
Sub-total	22,175.81																										
Total:	120,715.02																										

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. 00005684 dated November 2, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 36,765.85 sq m have been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (2006) 001 dated February 16, 2006 and its supplemental agreement dated August 17, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 70,793.328 sq m had been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) at a consideration of RMB376,000,000.

APPENDIX V

PROPERTY VALUATION

- (3) Pursuant to Planning Permit for Construction Use of Land No. (2006) 0073 dated May 19, 2006 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Yuzhou Huaqiaocheng with an site area of approximately 70,793.328 sq m is in compliance with the urban planning requirements.
- (4) Pursuant to Planning Permit for Construction Works No. (2006) 0096 dated October 20, 2006 issued by Xiamen Urban Planning Bureau, Yuzhou Huaqiaocheng with a total gross floor area of approximately 243,097.60 sq m is in compliance with the urban construction requirements and is approved.
- (5) Pursuant to Permit for Commencement of Construction Works No. 350211200611080101 dated November 8, 2006 issued by Xiamen Construction and Management Bureau, the construction work of Zone B, Yuzhou Huaqiaocheng with a total gross floor area of approximately 122,788.55 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) Pursuant to Commodity Housing Pre-sale Permit No. (2009) 0027 issued by Xiamen State-owned Land Resources and Housing Bureau on July 8, 2009, Zone B, Yuzhou Huaqiaocheng with a total gross floor area of approximately 107,709.24 sq m are permitted to be pre-sold.
- (7) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB140,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB160,000,000. In the course of our valuation, we have taken such costs into account.
- (8) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB1,040,000,000.
- (9) According to Business Licence No. 07085, Xiamen Yuzhou Group Reality Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) was established on June 20, 2006 as a limited company with a registered capital of RMB 20,000,000.
- (10) As advised by the Group, as at the date of valuation, residential units with a gross floor area of 18,644.47 sq m have been pre-sold for a total consideration of RMB143,641,675. In the course of our valuation, we have taken into account of the above contracted selling price of the pre-sold area.
- (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 of the property with a site area of 36,765.85 is mortgaged to the China Construction Bank, Xiamen branch as part of the consideration for a loan of RMB370,000,000 with the security term from November 20, 2006 to November 12, 2009. Under such mortgage contract, Xiamen Yuzhou Group Reality Invest Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without China Construction Bank’s agreement in the mortgage period;
 - (ii) Xiamen Yuzhou Group Reality Invest Co., Ltd. has lawfully owned the land use right of the property;
 - (iii) Xiamen Yuzhou Group Reality Invest Co., Ltd. is the sole legal land user of the property;
 - (iv) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (v) Xiamen Yuzhou Group Reality Invest Co., Ltd. has the right to occupy and use the property;
 - (vi) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vii) The occupation and use of the land of Xiamen Yuzhou Group Reality Invest Co., Ltd. do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property;
 - (viii) Xiamen Yuzhou Group Reality Invest Co., Ltd. is applying the project approval documents from relevant authority; and

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PROPERTY VALUATION

- (ix) The construction of the buildings with a total gross floor area of 243,097.75 sq m has been obtained the approval from the relevant government authorities.
- (12) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Pre-sale Permit | Yes |
| Business Licence | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>												
31. The remaining undeveloped portion of Phase II of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市廈禾路第75號地塊 禹洲世貿國際二期 餘下之在建工程部份	Yuzhou World Trade Center is a composite development planned to be developed in two phases upon two parcels of land with a total site area of approximately 19,453.94 sq m. Phase II is planned to be developed into a residential building of 43 storeys erected upon a 7-storey commercial podium with basement. In addition, there will be 94 car parking spaces which are classified as investment property in property no. 5. The property is scheduled to be completed in December 2009. The property is planned to have a total gross floor area of approximately 51,659.10 sq m with details as follows:- <table><tr><th><u>Planned Portion</u></th><th><u>Approximate Planned Gross Floor Area</u> (sq m)</th></tr><tr><td>Residential</td><td>41,918.20</td></tr><tr><td>Public Utilities</td><td>3,984.06</td></tr><tr><td>Sub-total</td><td>45,902.26</td></tr><tr><td>Others</td><td>5,756.84</td></tr><tr><td>Total</td><td>51,659.10</td></tr></table> The land use rights of the property have been granted for various terms due to expire on January 9, 2068 for residential use, due to expire on January 9, 2048 for office use and due to expire on January 9, 2038 for commercial use.	<u>Planned Portion</u>	<u>Approximate Planned Gross Floor Area</u> (sq m)	Residential	41,918.20	Public Utilities	3,984.06	Sub-total	45,902.26	Others	5,756.84	Total	51,659.10	The property is under construction.	RMB500,000,000
<u>Planned Portion</u>	<u>Approximate Planned Gross Floor Area</u> (sq m)														
Residential	41,918.20														
Public Utilities	3,984.06														
Sub-total	45,902.26														
Others	5,756.84														
Total	51,659.10														

Notes:

- Pursuant to State-owned Land Use Rights Certificate No. 00005708 dated November 28, 2006 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of property with a site area of approximately 3,767.34 sq m is have been granted to Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司).
- Pursuant to Grant Contract of Land Use Rights No. (98) 038 dated April 8, 1998, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 19,454.644 sq m had been granted to Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司) at a consideration of RMB24,001,668.

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PROPERTY VALUATION

- (3) Pursuant to Planning Permit for Construction Works No. (2005) 0137 dated July 11, 2005 issued by Xiamen Urban Planning Bureau, the construction works of part of Phase I and the whole of Phase II of Yuzhou World Trade Center with a total gross floor area of approximately 112,060.80 sq m are in compliance with the urban construction requirements and are approved.
- (4) Pursuant to the Reply Letter of Planning Amendment for Yuzhou World Trade Center No.(2008) 68, agree to add a fire protection lift in basement levels; move the facility room from basement 1 to level 6, and increase the car parking spaces to 94.
- (5) Pursuant to Permit for Commencement of Construction Works No. 350200200607240101 dated July 24, 2006 issued by Xiamen Construction and Management Bureau, the construction works of part of Phase I and the whole of Phase II of Yuzhou World Trade Center with a total gross floor area of approximately 112,060.87 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) Pursuant to Commodity Housing Pre-sale Permits No. 20080027 issued by Xiamen State-owned Land Resources and Housing Bureau on May 19, 2008, Phase II of Yuzhou World Trade Center with a total gross floor area of approximately 60,613.86 sq m are permitted to be pre-sold.
- (7) As advised by the Group, the construction cost expended in the Phase II undeveloped portion as at August 31, 2009 was approximately RMB68,000,000. The outstanding cost to complete the Phase II development was estimated to be approximately RMB58,000,000. In the course of our valuation, we have taken such costs into account.
- (8) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB620,000,000.
- (9) According to Business Licence No. 350200400022169, Xiamen Richville Development Limited (廈門貴豐房地產開發有限公司) was established on November 19, 1992 as a limited company with a registered capital of USD5,000,000.
- (10) As advised by the Group, as at the date of valuation, residential units with a gross floor area of 26,798.08 sq m have been pre-sold for a total consideration of RMB346,141,178. In the course of our valuation, we have taken into account of the above contracted selling prices of the pre-sold area and spaces.
- (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) A parcel of land with a site area of 3,767.34 sq m is mortgaged to Agricultural Bank of China, Xiamen branch for a loan of RMB250,000,000 with the security term from August 29, 2007 to August 23, 2010. Under such mortgage contract, Xiamen Richville Development Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without Agricultural Bank of China’s agreement in the mortgage period;
 - (ii) Xiamen Richville Development Limited has lawfully owned the land use right of the property;
 - (iii) Xiamen Richville Development Limited is the legal land user of the property;
 - (iv) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (v) Xiamen Richville Development Limited has the right to occupy and use the property;
 - (vi) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled;
 - (vii) The occupation and use of the land of Xiamen Richville Development Limited do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property; and
 - (viii) The construction of the buildings with a total gross floor area of 68,444.55 sq m has been obtained the approval from the relevant government authorities.

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PROPERTY VALUATION

- (12) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Pre-sale Permit	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009										
32. Yuzhou International Hotel, Plot 2006 G03, east of Huli Avenue, south of Huandao East Road, Huli District, Xiamen, Fujian Province, the PRC	The property is erected on a parcel of land with a total site area of approximately 60,017.85 sq m. Upon completion, the property will comprise a hotel. The property is scheduled to be completed in September 2012. The property has a total planned gross floor area of approximately 125,220.84 sq m with details as follows:-	The property is under construction.	RMB640,000,000										
中華人民共和國福建省廈門市湖裏區環島東路以南，湖裏大道以東2006G03地塊 禹洲國際大酒店	<table><tr><th><u>Planned Portion</u></th><th><u>Approximate Planned Gross Floor Area (sq m)</u></th></tr><tr><td>Hotel</td><td>60,018.00</td></tr><tr><td>Underground Retail</td><td>42,124.27</td></tr><tr><td>Basement</td><td>23,078.57</td></tr><tr><td>Total:</td><td>125,220.84</td></tr></table>	<u>Planned Portion</u>	<u>Approximate Planned Gross Floor Area (sq m)</u>	Hotel	60,018.00	Underground Retail	42,124.27	Basement	23,078.57	Total:	125,220.84		
<u>Planned Portion</u>	<u>Approximate Planned Gross Floor Area (sq m)</u>												
Hotel	60,018.00												
Underground Retail	42,124.27												
Basement	23,078.57												
Total:	125,220.84												
	The land use rights of the property have been granted for a term expiring on February 28, 2046 for hotel use.												

Notes:

- (1) Pursuant to Certificate of Real Estate Ownership No. 00006070 dated July 5, 2007 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 60,017.85 sq m have been granted to Xiamen Yuzhou Hotel Invest and Manage Co., Ltd. (廈門禹洲酒店投資管理有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2006) 02 dated February 16, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 60,018 sq m had been granted to Xiamen Yuzhou Real Estate Development Co., Ltd. (廈門禹洲房地產開發有限公司) at a consideration of RMB120,000,000.
- (3) Pursuant to Supplemental Contract of Grant Contract of Land Use Rights No. (2006) 02 dated August 22, 2006, the grantee of the contract will be changed to Xiamen Yuzhou Hotel Invest and Manage Co., Ltd. (廈門禹洲酒店投資管理有限公司).

According to Supplemental Contract 2 of Grant Contract of Land Use Rights No. (2006) 02 dated May 25, 2007, Xiamen Yuzhou Hotel Invest and Manage Co., Ltd. (廈門禹洲酒店投資管理有限公司) agreed to commence construction before October 30, 2007 and schedule to complete before October 1, 2009. The extension application should be filed in 30 days before the expiry day. The extension period will not be longer than 1 year.

According to Supplemental Contract 3 of Grant Contract of Land Use Rights No. (2006) 02 dated January 14, 2009, the scheduled completion date has been revised to before October 1, 2011.

APPENDIX V

PROPERTY VALUATION

- (4) Pursuant to Planning Permit for Construction Use of Land No. (2007) 0019 dated January 19, 2007 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Xingzhou Garden with an site area of approximately 60,017.85 sq m is in compliance with the urban planning requirements.
- (5) Pursuant to Planning Permit for Construction Works No. (2007) 0203 dated October 10, 2007 issued by Xiamen Planning Bureau, a hotel development with a total gross floor area of approximately 60,018 sq m is in compliance with the urban construction requirements and is approved.

Pursuant to Planning Permit for Construction Works No. 350206200808081 dated May 4, 2008 issued by Xiamen Urban Planning Bureau, Yuzhou International Hotel with a total gross floor area of approximately 125,220.84 sq m are in compliance with the urban construction requirements and are approved.
- (6) Pursuant to Permit for Commencement of Construction Works No. 350200200710240301 dated October 24, 2007 issued by Xiamen Construction and Management Bureau, the construction work of Yuzhou International Hotel are in compliance with the requirements for works commencement and are permitted.
- (7) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB21,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB793,000,000. In the course of our valuation, we have taken such costs into account.
- (8) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB2,000,000,000.
- (9) Pursuant to Business Licence No. 07520 《企業法人營業執照》「註冊號企獨閩厦總字第01330號」, Xiamen Yuzhou Hotel Invest and Manage Co., Ltd. (廈門禹洲酒店投資管理有限公司) was established on May 24, 2006 as a limited company with a registered capital of RMB50,000,000.
- (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) Xiamen Yuzhou Hotel Invest and Manage Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Xiamen Yuzhou Hotel Invest and Manage Co., Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (v) The construction of the property has been obtained the approval from the relevant government authorities.
- (11) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (portion)
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009														
33. Yuzhou Yuanbo City, Tongji Road, Xike Town, Tongan District, Xiamen, Fujian Province, the PRC 中華人民共和國 福建省廈門市同安區西柯鎮同集路 禹洲園博學府	The property is erected on a parcel of land with a total site area of approximately 90,750.22 sq m. Upon completion, the property will comprise thirteen 18 to 35-storey residential buildings erected on single storey basement. In addition, there will be 1,124 underground car parking spaces. The property is scheduled to be completed in 2012. The property has a total planned gross floor area of approximately 480,251.79 sq m with details as follows:- <table><thead><tr><th>Planned Portion</th><th>Approximate Planned Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Commercial</td><td>8,207.55</td></tr><tr><td>Residential</td><td>397,654.98</td></tr><tr><td>Basement</td><td>63,538.65</td></tr><tr><td>Kindergarten</td><td>1,851.91</td></tr><tr><td>Others</td><td>8,998.70</td></tr><tr><td>Total:</td><td>480,251.79</td></tr></tbody></table>	Planned Portion	Approximate Planned Gross Floor Area (sq m)	Commercial	8,207.55	Residential	397,654.98	Basement	63,538.65	Kindergarten	1,851.91	Others	8,998.70	Total:	480,251.79	The property is under construction.	RMB1,320,000,000
Planned Portion	Approximate Planned Gross Floor Area (sq m)																
Commercial	8,207.55																
Residential	397,654.98																
Basement	63,538.65																
Kindergarten	1,851.91																
Others	8,998.70																
Total:	480,251.79																
	The land use rights of the property have been granted for various terms due to expire on October 17, 2045 for Commercial use and due to expire on October 17, 2075 for residential use.																

Notes:

- (1) Pursuant to Certificate of Real Estate Ownership No. 00002101 dated September 5, 2005 issued by Xiamen State-owned Land Resources and Housing Bureau (廈門市國土資源和房屋管理局), the land use rights of the property with a site area of approximately 90,750.22 sq m have been granted to Xiamen Kim International Realty Development Co., Ltd. (廈門金國際地產發展有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2005) 001 dated November 3, 2005, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 90,750.22 sq m had been granted to Xiamen Kim International Realty Development Co., Ltd. (廈門金國際地產發展有限公司).

APPENDIX V

PROPERTY VALUATION

- (3) Pursuant to Planning Permit for Construction Use of Land No. (2005) 0132 dated October 13, 2005 issued by Xiamen Urban Planning Bureau, the construction site of a parcel of land for the development of Yuzhou Huaqiao City with a site area of approximately 90,750.50 sq m is in compliance with the urban planning requirements.
- (4) Pursuant to 2 Planning Permit for Construction Works Nos. (2007) 0155 and (2007) 0156 dated August 15, 2007 issued by Xiamen Urban Planning Bureau, the construction works of University City Block Nos. 1 to 13, basement, power room, clubhouse and a kindergarten with a total gross floor area of approximately 475,487.31 sq m are in compliance with the urban construction requirements and are approved.
- (5) Pursuant to “Reply Letter to Amendments for Construction Drawings of Phase I & II of Yuzhou Yuanbo City” (No.[2008] 139) issued by Planning Bureau of Xiamen Municipality, the total GFA of Phase I was amended to 289,123.19 sq m from 279,536.88 sq m, where GFA of aboveground and underground areas were amended to 224,488.8 sq m and 64,634.38 sq m respectively from 215,478.1 sq m and 64,058.74 sq m respectively. Plot ratio accountable GFA was 221,866.36 sq m, and clubhouse would be re-named as commercial centre. The total GFA of Phase II was amended to 191,128.6 sq m from 195,950.851 sq m while plot ratio accountable GFA was set as 186,510.64 sq m.
- (6) Pursuant to 2 Permits for Commencement of Construction Works Nos. 350200200710250401 and 350200200710250401 dated October 25, 2007 and November 14, 2007 respectively issued by Xiamen Construction and Management Bureau, the construction works of Yuzhou Yuanboxuefu with a total gross floor area of approximately 249,281.73 sq m are in compliance with the requirements for works commencement and are permitted.
- (7) Pursuant to Commodity Housing Pre-sale Permit No. 20080080 issued by Xiamen State-owned Land Resources and Housing Bureau on December 2, 2008, Phase I of Yuzhou Yuanbo City (Block 1, Block 7, Electric Room, and Commercial Centre) with a total gross floor area of approximately 248,848.03 sq m were permitted to be pre-sold.
- (8) As advised by the Group, the construction cost expended in the development as at August 31, 2009 was approximately RMB336,000,000. The outstanding cost to complete the development was estimated to be approximately RMB711,000,000. In the course of our valuation, we have taken such costs into account.
- (9) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB2,700,000,000.
- (10) Pursuant to Business Licence No. 350200400008351, Xiamen Kim International Realty Development Co., Ltd. (廈門金國際地產發展有限公司) was established on July 13, 1994 as a limited company with a registered capital of RMB15,000,000.
- (11) As advised by the Group, as at the date of valuation, 1,863 residential units have been pre-sold for a total consideration of RMB686,818,635. In the course of our valuation, we have included the above contracted selling price of the pre-sold area.
- (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 parcel of land with a total site area of 90,750.22 sq m is mortgaged to the China Construction Bank, Xiamen Branch for a loan of RMB30,000,000 beginning from October 17, 2008. Under such mortgage contract, Xiamen Kim International Realty Development Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without China Construction Bank’s agreements in the mortgage period.
 - (ii) Xiamen Kim International Realty Development Co., Ltd. has lawfully owned the land use right of the property;
 - (iii) Xiamen Kim International Realty Development Co., Ltd. is the sole legal land user of the property;

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PROPERTY VALUATION

- (iv) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (v) Xiamen Kim International Realty Development Co., Ltd. has the right to occupy and use the property;
 - (vi) The land premium of the property rescinded with the impressments of a piece of industrial land from the government, and no land premium has to be paid on the property;
 - (vii) The occupation and use of the land of Xiamen Kim International Realty Development Co., Ltd. do not violate the relevant regulations of the PRC law and there is no forced impressments, litigation, dissension, or any other great influence on the ownership of the property; and
 - (viii) The construction of the buildings with a total gross floor area of 249,281.73 sq m. has been obtained the approval from the relevant government authorities.
- (13) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Grant Contract of Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Business Licence | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009												
34. Shanghai Yanhai Tower (Phase III of Yuzhou Jinqiao International), the junction of Jinyu Road and Jinxiang Road, Pudong New Area, Shanghai, the PRC	The property is erected on a parcel of land with a total site area of approximately 14,289 sq m. Upon completion, the property will comprise 2 office buildings. There will be 234 car parking spaces. The property is scheduled to be completed in June 2010.	The property is under construction.	RMB790,000,000												
中華人民共和國上海市 浦東新區金豫路、金湘路口燕海大廈 禹洲金橋國際三期 上海燕海大廈	The property has a total planned gross floor area of approximately 72,947.20 sq m inclusive of a basement area of 8,276.57 sq m with details as follows:- <table><tr><th>Planned Portion</th><th>Approximate Planned Gross Floor Area (sq m)</th></tr><tr><td>Commercial</td><td>4,475.21</td></tr><tr><td>Office</td><td>59,929.17</td></tr><tr><td>Basement</td><td>8,276.57</td></tr><tr><td>Others</td><td>266.25</td></tr><tr><td>Total:</td><td>72,947.20</td></tr></table> The land use rights of the property have been granted for a term expiring on August 30, 2046 for composite use.	Planned Portion	Approximate Planned Gross Floor Area (sq m)	Commercial	4,475.21	Office	59,929.17	Basement	8,276.57	Others	266.25	Total:	72,947.20		
Planned Portion	Approximate Planned Gross Floor Area (sq m)														
Commercial	4,475.21														
Office	59,929.17														
Basement	8,276.57														
Others	266.25														
Total:	72,947.20														

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership No. (2007) 066735 dated August 15, 2007, the land use rights of the property with a site area of approximately 14,289 sq m, have been granted to Shanghai Yanhai Real Estate Development Co, Ltd. (上海燕海房地產開發經營有限責任公司).
- (2) According to Transfer Contract of Land Use Rights No. JQ93X105H entered into between Shanghai Jinqiao Joint Investment Development Company (Party A) and Beijing City Construction Development Company (Party B) dated March 5, 1993, the land use rights of the property have been granted to Party B with particulars as follows:-
 - (i) Site Area : 14,289 sq m
 - (ii) Land Usage : N/A
 - (iii) Land Use Term : 50 years
 - (iv) Plot Ratio : 4.7
 - (v) Land Premium : USD7,158,789
- (3) Pursuant to Planning Permit for Construction Use of Land No. (2007) 15070312E80048 dated March 12, 2007 issued by Shanghai Planning Bureau of Pudong New Area, the construction site of a parcel of land for the development of Shanghai Yanhai Tower with a site area of approximately 14,289 sq m is in compliance with the urban planning requirements.

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PROPERTY VALUATION

- (4) Pursuant to Planning Permit for Construction Works No. (2007) 15070208F80025 dated February 8, 2007 issued by Shanghai Planning Bureau of Pudong New Area, two buildings comprising office and retail developments with a total gross floor area of approximately 72,806.54 sq m including a basement area of 8,130.50 sq m is in compliance with the urban construction requirements and is approved.
- (5) Pursuant to Permit for Commencement of Construction Works No. 06JQPD0054D01 310224200611131601 dated February 15, 2007 issued by Shanghai Construction Bureau of Pudong New Area, the construction work of Yanhai Building with a total gross floor area of approximately 72,806 sq m are in compliance with the requirements for works commencement and are permitted.
- (6) Pursuant to Commodity Housing Pre-Sale Permit No. (2008) 0000885 issued by Construction and Transportation Committee of Shanghai Pudong District, Shanghai Yauhai Tower with a gross floor area of approximately 64,408.38 were permitted to be pre-sold.
- (7) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB156,000,000. The outstanding cost to complete the subject portion of the development was estimated to be approximately RMB137,000,000. In the course of our valuation, we have taken such costs into account.
- (8) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB1,100,000,000.
- (9) According to Business Licence No. 3101152028414, Shanghai Yanhai Real Estate Development Co, Ltd. was established on December 25, 1992 as a limited company with a registered capital of RMB48,450,000.
- (10) As advised by the Group, as at the date of valuation, a portion of the office with a gross floor area of 30,484.50 sq m has been pre-sold for a total consideration of RMB437,811,258. In the course of our valuation, we have taken into account of the above contracted selling price of the pre-sold area.
- (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) Shanghai Yanhai Real Estate Development Co, Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) Other than the above mentioned mortgage, the land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Shanghai Yanhai Real Estate Development Co, Ltd. is the sole legal land user of the property;
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
 - (v) The construction of the buildings with a total gross floor area of 72,806 sq m has been obtained the approval from the relevant government authorities.
- (12) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
35. Yuzhou Huaqiao City, west of Songlin Road, northeast of Planning Road, Ranfang Village, Taohua Town, Feixi County, Hefei, Anhui Province, the PRC	The property is erected on 3 parcels of land with a total site area of approximately 446,757.30 sq m. Upon completion, the property will comprise middle to high rise residential buildings, retail, basement car parking space and other ancillary facilities. There will be 2,350 underground car parking spaces.	The property is under construction.	RMB1,910,000,000
中國安徽省合肥市肥西縣桃花鎮染坊村合肥禹洲華僑城	The property is scheduled to be completed in 2014. The property has a total planned gross floor area of approximately 1,148,560 sq m inclusive of a basement area of 62,880 sq m with details as follows:-		(Please see note (7))

<u>Planned Portion</u>	<u>Approximate Planned Gross Floor Area (sq m)</u>
Commercial	93,900
Residential	982,680
Basement	62,880
Others	9,100
Total:	<u>1,148,560</u>

The land use rights of the property have been granted for a term expiring on January 1, 2076 for residential use.

Notes:

- (1) Pursuant to State-owned Land use rights Certificate No. (2007) 1011 dated April 25, 2007, the land use rights of a parcel of land with a site area of approximately 84,523 sq m, have been granted to Hefei Ludong Real Estate Development Co, Ltd. (合肥廬東房地產開發有限責任公司).

Pursuant to State-owned Land Use Rights Certificate No. (2008)1067 dated June 23, 2008, the land use rights of the property with a site area of approximately 53,333.3 sq m, have been granted to Hefei Kangli Realty Co., Ltd. (合肥市康麗置業有限公司).

Pursuant to State-owned Land Use Rights Certificate No. (2009)2016 dated August 5, 2009, the land use rights of the property with a site area of approximately 308,901 sq m, have been granted to Hefei Yuzhou Real Estate Development Co., Ltd. (合肥禹洲房地產開發有限公司).

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PROPERTY VALUATION

- (2) Pursuant to Grant Contract of Land Use Rights No. (2005) 18 dated July 28, 2005, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 84,523 sq m had been granted to Hefei Luxi Real Estate Development Co, Ltd. at a consideration of RMB78,733,174.

Use	: Residential
Plot Ratio	: <1.7
Building Height	: <36m
Greenery Ratio	: >35%
Commencement Date of Construction	: before June 20, 2006 (The grantor is entitled to request for land abandon fee which should be less than 20% land premium if the construction has not commenced within one year from the commencement date.)

Pursuant to Grant Contract of Land Use Rights No. (2006) 016 dated May 29, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 53,333 sq m had been granted to Hefei Kangli Realty Co, Ltd. at a consideration of RMB40,000,000.

Use	: Residential
Plot Ratio	: <1.5
Building Height	: >36m
Greenery Ratio	: >30%
Commencement Date of Construction	: before October 16, 2006 (The grantor is entitled to request for land abandon fee which should be less than 20% land premium if the construction has not commenced within one year from the commencement date.)

Pursuant to Grant Contract of Land Use Rights No. (2006) 38 dated July 16, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 308,901 sq m had been granted to Hefei Yuzhou Real Estate Development Co, Ltd. at a consideration of RMB254,842,500.

Use	: Residential/ Commercial
Plot Ratio	: <2.0
Building Height	: >55m
Greenery Ratio	: >20%
Commencement Date of Construction	: before November 30, 2007 (The grantor is entitled to request for land abandon fee which should be less than 20% land premium if the construction has not commenced within one year from the commencement date.)

- (3) Pursuant to 3 Planning Permits for Construction Use of Land Nos. 2006104, 2006080 and 2007002 dated July 26, 2006, June 30, 2006 and January 15, 2007 respectively issued by Hefei Planning Bureau of Pudong New Area, the development with a total site area of approximately 446,753 sq.m. is in compliance with the urban planning requirements.

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PROPERTY VALUATION

- (4) Pursuant to 18 Planning Permits for Construction Works issued by Planning Bureau of Feixi Town, the property is in compliance with the urban construction requirements and is approved with details as follows:

<u>Certificate No.</u>	<u>Planned Gross Floor Area</u> (sq m)	<u>Issue Date</u>
340123200810039	2,510	2008-3-18
340123200810040	5,010	2008-3-18
340123200810041	4,940	2008-3-18
340123200810042	3,010	2008-3-18
340123200810043	5,530	2008-3-18
340123200810044	4,180	2008-3-19
340123200810045	5,680	2008-3-19
340123200810046	4,380	2008-3-19
340123200810047	5,690	2008-3-19
340123200810048	3,450	2008-3-19
340123200810049	4,710	2008-3-19
340123200810050	3,330	2008-3-19
340123200810196	4,160	2008-7-7
340123200810268	7,289	2008-9-19
340123200810197	4,630	2008-7-7
340123200810198	5,510	2008-7-7
340123200810199	3,280	2008-7-7
340123200810228	14,802	2008-8-12
Total:	<u>92,091</u>	

- (5) Pursuant to Permit for Commencement of Construction Works No. 012308090033 dated September 25, 2008 issued by Construction Bureau of Feixi Town, the construction works of Hefei Yuzhou Huaqiao City with a total gross floor area of approximately 70,000 sq m are in compliance with the requirements for works commencement and are permitted.

- (6) The breakdown values of each phase as at August 31, 2009 are as follows:-

<u>Phase</u>	<u>Site Area (sq m)</u>	<u>Capital Value (RMB)</u>
1	84,523.00	400,000,000
2, 3, 4A	53,333.30	1,310,000,000
4B	308,901.00	200,000,000

- (7) According to the Accreditation of Construction Works Scheme No. 2008121 issued by Feixi Planning Bureau, the maximum plot ratio of the property is changed to 2.5. The Group is required to pay the land premium if the construction size exceeds the original permitted gross floor area.

As advised by the Group, the additional land premium in the change in plot ratio has not been settled. We have assigned value based on the original plot ratio in accordance with the Grant Contract of Land Use Rights in our valuation. However, once the Group had fully settled the additional land premium and the maximum plot ratio of the property had been relaxed to 2.5, the capital value of the property in accordance with the Group's proposed development, as at August 31, 2009, would be RMB2,470,000,000.

- (8) As advised by the Group, the total construction cost expended in the subject portion of the development as at August 31, 2009 was approximately RMB46,000,000. The outstanding cost to complete the development was estimated to be approximately RMB2,160,000,000. In the course of our valuation, we have taken such costs into account.
- (9) The capital value when completed of the proposed development as at August 31, 2009 was approximately RMB7,100,000,000.

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PROPERTY VALUATION

- (10) According to Business Licence No. 340123000006592(1-1), Hefei Ludong Real Estate Development Co, Ltd. was established on January 16, 2006 as a limited company with a registered capital of RMB8,000,000.

According to Business Licence No. 340123000001999, Hefei Kangli Realty Co, Ltd. was established on December 27, 2005 as a limited company with a registered capital of RMB10,080,000.

According to Business Licence No. QDWHZZ, Hefei Yuzhou Real Estate Development Co, Ltd. was established on August 1, 2006 as a limited company with a registered capital of US\$6,000,000.

- (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) Hefei Ludong Real Estate Development Co, Ltd. and Hefei Kangli Realty Co., Ltd. have lawfully owned the land use rights of portions of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
- (ii) The land with a site area of 84,523 sq m is mortgaged to Industrial and Commercial Bank of China, Hefei Branch for a loan of RMB30,000,000 with the security term from January 7, 2009 to January 6, 2011. Under such mortgage contract, Hefei Ludong Real Estate Development Co., Ltd. cannot lease, transfer, mortgage and dispose of the land use rights of the property without Industrial and Commercial Bank of China’s agreement in the mortgage period;
- (iii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
- (iv) Hefei Ludong Real Estate Development Co, Ltd., Hefei Kangli Realty Co., Ltd. and Hefei Yuzhou Real Estate Development Co., Ltd. are the sole legal land users of the property;
- (v) All the land premium stated in the Grant Contracts of Land Use Rights have been duly paid and settled;
- (vi) As the construction of the public ancillary facilities by the government is still in progress, the construction of the property has not commenced. The Authority of Real Estate Management or other government departments have not charged the land abandon fee or re-entry of the property; and
- (vii) According to Hefei Kangli Realty Co., Ltd., there is no commencement of construction works on the land. Hefei Yuzhou Real Estate Development Co., Ltd. has applied for the postponing of the commencement in September 10, 2008 with Letter of Assurance 2008100, assuring the commencement date of Phase I of Yuzhou Huaqiao City before January 16, 2009, the commencement date of Phase II of Yuzhou Huaqiao City before 2010. Feixi County Planning Bureau and Feixi Land Resources Bureau agreed with the commencement date proposed by Hefei Yuzhou Real Estate Development Co., Ltd. on September 18, 2008 and September 22, 2008 respectively. If Hefei Kangli Realty Co., Ltd. pursues the commencement date of the Letter of Assurance, Feixi Land Resources Bureau will not request for the land idle fee.

- (12) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificates	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (portion)
Business Licences	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009
36. Oriental Venice Phase III, Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC 中華人民共和國 福建省福州市倉山區城門鎮龍江村 東方威尼斯三期	The property comprises a parcel of land with a site area of approximately 367,177 sq m. Upon completion, the property will comprise residential buildings plus commercial and parking facilities. The property has a total planned gross floor area of 220,558.43 sq m (inclusive of 13,141.44 sq m underground area). The land use rights of the property have been granted for various terms expiring on April 28, 2076 for residential use and expiring on April 28, 2046 for commercial, tourism and entertainment uses.	The property is vacant.	RMB2,400,000,000 (80% interest attributable to the Group: RMB1,920,000,000)

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate No. (2007) 34739500374 dated December 7, 2007, the land use rights of the property with a site area of approximately 367,177 sq m have been granted to Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司).
- (2) Pursuant to Grant Contract of Land Use Rights No. (2006) 33 dated April 30, 2006, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 367,177 sq m had been granted to Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) at a consideration of RMB222,039,000. The maximum permitted plot ratio is 0.57 and the total permitted gross floor area is approximately 210,136.49 sq m.
- (3) Pursuant to Planning Permit for Construction Use of Land No. (2005) 00045 dated March 24, 2005 issued by Fuzhou Urban Planning Bureau, the construction site of a parcel of land for the development of Phase III, Oriental Venice with an site area of approximately 367,177 sq m is in compliance with the urban planning requirements.
- (4) According to Business Licence No. 3501002002231, Fujian Big World Huaxia Real Estate Development Co., Ltd. (福建大世界華夏房地產有限公司) was established on January 28, 1999 as a limited company with a registered capital of RMB40,000,000 for a valid operation period from January 28, 1999 to January 28, 2019.
- (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) Fujian Big World Huaxia Real Estate Development Co., Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
 - (ii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
 - (iii) Fujian Big World Huaxia Real Estate Development Co., Ltd. is the sole legal land user of the property; and
 - (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled.

APPENDIX V

PROPERTY VALUATION

- (6) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2009										
37. Shanghai Liyade Tower (Phase IV of Yuzhou Jinqiao International), 1 and 2 Qiu, 6 Jiefang, Jinqiao Export Processing Zone, Pudong New Area, Shanghai, the PRC 中華人民共和國上海市浦東新區金橋出口加工區6街坊1丘及2丘禹洲金橋國際四期上海利雅得大廈	The property is erected on two parcels of land with a total site area of approximately 14,657 sq m. Upon completion, the property will comprise an office and commercial complex known as phase IV of Yuzhou Jinqiao International Project. There will be 416 car parking spaces. The property is scheduled to be completed in 2012. The property has a total planned gross floor area of approximately 69,803 sq m inclusive of a basement area of 19,962 sq m with details as follows:- <table><thead><tr><th>Planned Portion</th><th>Approximate Planned Gross Floor Area (sq m)</th></tr></thead><tbody><tr><td>Commercial</td><td>3,800</td></tr><tr><td>Office</td><td>46,041</td></tr><tr><td>Basement</td><td>19,962</td></tr><tr><td>Total:</td><td>69,803</td></tr></tbody></table>	Planned Portion	Approximate Planned Gross Floor Area (sq m)	Commercial	3,800	Office	46,041	Basement	19,962	Total:	69,803	The property is a vacant site pending development. The land use rights of the property have been granted for a term of 50 years expiring on December 17, 2044 for research and office uses respectively.	RMB520,000,000
Planned Portion	Approximate Planned Gross Floor Area (sq m)												
Commercial	3,800												
Office	46,041												
Basement	19,962												
Total:	69,803												

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership No. (2006) 074827 dated September 7, 2006, the land use rights of the property with a site area of approximately 6,660 sq m, have been granted to Shanghai Liyade Property Investment Co, Ltd. (上海利雅得投資置業有限公司) for research use.
- Pursuant to Shanghai Certificate of Real Estate Ownership No. (2006) 074828 dated September 7, 2006, the land use rights of a parcel of the property with a site area of approximately 7,997 sq m have been granted to Shanghai Liyade Property Investment Co, Ltd. (上海利雅得投資置業有限公司) for office use.
- (2) According to Transfer Contract of Land Use Rights No. JQ94X419H entered into between Shanghai Jinqiao Export Processing Zone Joint Development Company (Party A) and Shanghai Huafu Property Development Co, Ltd. (Party B) dated December 18, 1994, the land use rights of the property have been granted to Party B with particulars as follows:-
- (i) Site Area : 6,660 sq m
 - (ii) Land Usage : Research
 - (iii) Land Use Term : 50 years
 - (iv) Plot Ratio : N/A
 - (v) Land Premium : USD333,000

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PROPERTY VALUATION

According to Transfer Contract of Land Use Rights No. JQ94X420H entered into between Shanghai Jinqiao Export Processing Zone Joint Development Company (Party A) and Shanghai Huafu Property Development Co, Ltd. (Party B) dated December 18, 1994, the land use rights of the property have been granted to Party B with particulars as follows:-

- (i) Site Area : 8,000 sq m
- (ii) Land Usage : Commercial/Office
- (iii) Land Use Term : 50 years
- (iv) Plot Ratio : 5.0
- (v) Land Premium : USD2,400,000

- (3) According to Auction Transaction Confirmation Letter of Shanghai Real Estate Auction dated August 26, 2004, Shanghai Liyade Property Investment Co, Ltd. obtained the land use rights of the property with particulars as follows:-

- (i) Site No. : 1 & 2 Qiu, 6 Jiefang, Jinqiao Export Processing Zone
- (ii) Site Area : 14,657 sq m
- (iii) Transaction Fee : RMB43,500,000

- (4) According to Approval for the adjustment of Retail Planning for Land Lot No. 6-1, 6-2 of Phase II, Jinqiao Industrial Zone issued by the Government of Shanghai Pudong New Area dated August 26, 2009, Shanghai Liyade Property Investment Co., Ltd. is approved to develop various buildings with a total gross floor area of 49,900 sq m on the site.

- (5) According to Business Licence No. 310115000815828, Shanghai Liyade Investment Property Co, Ltd. was established on February 12, 2004 as a limited company with a registered capital of RMB10,000,000.

- (6) 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) Shanghai Liyade Property Investment Co, Ltd. has lawfully owned the land use right of the property and there is no pending or threatened legal, governmental or arbitral proceeding or action against the land use rights;
- (ii) The land use rights of the property are free from seizing, mortgage, limitation of any other rights and third party rights;
- (iii) Shanghai Liyade Property Investment Co, Ltd. is the sole legal land user of the property;
- (iv) All the land premium stated in the Grant Contract of Land Use Rights has been duly paid and settled; and
- (v) Based on the timetable set forth in this document, its understanding of current PRC laws and regulations and its consultation with the relevant government authorities, the Group’s PRC legal advisor is of the opinion that the Group has begun the application process for the permits required for the commencement of construction of Phase IV of Yuzhou Jinqiao International in accordance with normal procedures and will not be required to pay idle fees or forfeit the land for such project.

- (7) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	No
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Properties contracted or agreed to be acquired by the Group in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>										
38. A piece of land situated at south of Lianqian West Road and west of Yunding Central Road (to be developed as F1 Plaza), Siming District, Xiamen, Fujian Province, the PRC 中國福建省廈門市思明區蓮前西路以南、雲頂中路以西地塊	The property is erected upon a parcel of land with a site area of approximately 15,652 sq m. The property will comprise residential and retail portions in addition to public communication facilities consisted of BRT control centre, bus terminal, and bicycle parking spaces. The property has a total planned gross floor area of approximately 79,000 sq.m. with details as follows: <table><tr><th><u>Planned portion</u></th><th><u>Maximum Planned Gross Floor Area (sq m)</u></th></tr><tr><td>Residential</td><td>45,000</td></tr><tr><td>Retail</td><td>10,000</td></tr><tr><td>Ancillary</td><td>24,000</td></tr><tr><td>Total</td><td><u>79,000</u></td></tr></table> The land use rights of the property have been granted for terms expiring on May 14, 2079 and May 14, 2049 for residential and commercial uses respectively.	<u>Planned portion</u>	<u>Maximum Planned Gross Floor Area (sq m)</u>	Residential	45,000	Retail	10,000	Ancillary	24,000	Total	<u>79,000</u>	The property is a vacant site pending for development.	No commercial value (Please see note (1))
<u>Planned portion</u>	<u>Maximum Planned Gross Floor Area (sq m)</u>												
Residential	45,000												
Retail	10,000												
Ancillary	24,000												
Total	<u>79,000</u>												

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate had not been obtained. Had the valid State-owned Land Use Rights Certificate been issued to the property, and all land premium and related fees for the grant of the certificate been fully settled, the market value of the property as at August 31, 2009 would be RMB560,000,000.
- (2) Pursuant to Grant Contract of Land Use Rights No. 35020020090515CG10 dated on May 15, 2009, the land use rights of the subject development, in which the property is located thereon, with a site area of approximately 15,653 sq m have been granted to Xiamen Skyplaz Realty & Development Co., Ltd. (廈門海天房地產開發有限公司) at a consideration of RMB226,000,000.

APPENDIX V

PROPERTY VALUATION

Use	: Residential/Commercial
Maximum Building Density	: 70%
Minimum Greenery Ratio	: 10%
Total GFA	: 79,000 sq m inclusive of public communication facilities including BRT control centre, bus terminal, and bicycle parking spaces, with a gross floor area of no less than 24,000 sq m
Planning Permit of Construction Works	: To be obtained before December 31, 2009
Latest Completion Date of Construction	: December 31, 2013
- (3) Pursuant to Business Licence No. 01745, Xiamen Skyplaz Realty and Development Co., Ltd (廈門海天房地產開發有限公司) was established on June 16, 1993 as a limited company with a registered capital of USD6,600,000 and an operation period from June 16, 1993 to June 15, 2014.
- (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 Group has paid up RMB67,800,000 for the first payment.
 - (ii) The Contract is legal, valid, binding on both parties and enforceable under PRC laws.
 - (iii) The Group should have no legal impediment to obtain the land use right certificate after the land premium has been fully settled
- (5) The status of title and grant of major approvals and licences pursuant to the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | No |
| Grant Contract of Land Use Rights | Yes |
| Business Licence | Yes |
| Planning Permit for Construction Use of Land | No |
| Planning Permit for Construction Works | No |
| Permit for Commencement of Construction Works | No |
| Business Licence | Yes |

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
39. A parcel of land situated at northeast of the junction of Xinggang Road and Jiaosong Road (to be developed as Yuzhou Zun Hai), Haicang District, Xiamen, Fujian Province, the PRC	The property is erected upon a parcel of land with a site area of approximately 107,622 sq m. The property will develop into a composite development. It will comprise residential, retail and kindergarten. The property has a total planned gross floor area of approximately 301,000 sq m.	The property is a vacant site pending for development.	No commercial value (Please see note (1))
中華人民共和國廈門海滄區興港路與角嵩路交叉口東北側地塊	The land use rights of the property have been granted for terms expiring on May 14, 2079, May 14, 2049 and May 14, 2059 for residential, commercial and education uses respectively.		

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate had not been obtained. Had the valid State-owned Land Use Rights Certificate been issued to the property, and all land premium and related fees for the grant of the certificate been fully settled, the market value of the property as at the date of acquisition would be RMB1,500,000,000.
- (2) Pursuant to Grant Contract of Land Use Rights dated September 17, 2009, the land use rights of the property with a site area of approximately 107,621.565 sq m have been granted to Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) at a consideration of RMB1,500,000,000.
- (3) According to Business Licence No. 07085, Xiamen Yuzhou Group Realty Invest Co., Ltd. was established on June 20, 2006 as a limited company with a registered capital of RMB20,000,000.
- (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 contract is legal, valid, binding on both parties and enforceable under PRC laws; and
 - (ii) The Group should have no legal impediment to obtain the land use right certificate after the land premium has been fully settled.
- (5) The status of title and grant of major approvals and licences pursuant to the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	No
Grant Contract of Land Use Rights	Yes
Business Licence	Yes
Planning Permit for Construction Use of Land	No
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at August 31, 2009</u>
40. 2 parcels of connected land adjacent to Maqing Road (to be developed as Yuzhou Hai Cang), Haicang District, Xiamen, Fujian Province, the PRC 中國福建省廈門市 海滄區馬青路側 兩相連地塊	The property comprises 2 parcels of connected land with a total site area of approximately 55,986.32 sq.m.. According to the Transfer Agreement, the planned aggregate gross floor area is not less than 81,511 sq m. The land use rights of the property have been granted for a term of 70 years from November 8, 1990 to November 7, 2060 for residential use.	The property is currently vacant pending for development.	No commercial value

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate had not been obtained. Had the valid State-owned Land Use Rights Certificate been issued to the property, and all land premium and related fees for the grant of the certificate been fully settled, the market value of the property as at the date of acquisition would be RMB348,000,000.
- (2) Pursuant to the Transfer Agreement dated September 22, 2009 entered into between Orient (Xiamen) Golf Country Club Recreation Co., Ltd (東方(廈門)高爾夫鄉村俱樂部綜合旅遊有限公司) (the “Transferor”) and Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司) (the “Transferee”), the Transferor has agreed to transfer the land use rights and development rights of the property to the Transferee at a consideration of RMB133,500,000.
- (3) Pursuant to State-owned Land Use Rights Certificate No. 00001181 dated November 15, 2004 issued by Xiamen Bureau of Land Resources and Housing Management (廈門市土地資源房產管理局), the land use rights of the property, with a site area of approximately 46,970.27 sq m have been granted to Orient (Xiamen) Golf Country Club Recreation Co., Ltd. (東方(廈門)高爾夫鄉村俱樂部綜合旅遊有限公司).

Pursuant to State-owned Land Use Rights Certificate No. 00001183 dated November 12, 2004 issued by Xiamen Bureau of Land Resources and Housing Management (廈門市土地資源房產管理局), the land use rights of the property, with a site area of approximately 9,016.05 sq m have been granted to Orient (Xiamen) Golf Country Club Recreation Co., Ltd. (東方(廈門)高爾夫鄉村俱樂部綜合旅遊有限公司).
- (4) Pursuant to Grant Contract of Land Use Rights No. 97 (093) dated 10 July, 1997 issued by Xiamen Bureau of Land Resources and Housing Management (廈門市土地資源房產管理局), the land use rights of the property, with a total site area of approximately 369,150.675 sq m have been granted to Orient (Xiamen) Golf Country Club Recreation Co., Ltd. (東方(廈門)高爾夫鄉村俱樂部綜合旅遊有限公司) at a total consideration of RMB8,859,568.
- (5) Pursuant to Planning Permit for Construction Works No. (2007) 0110 dated September 30, 2007 issued by Xiamen Urban Planning Bureau, the construction works of the property with a total gross floor area of approximately 99,352.80 sq m are in compliance with the urban planning requirements and approved.
- (6) According to Business Licence No. 07085, Xiamen Yuzhou Group Realty Invest Co., Ltd. was established on June 20, 2006 as a limited company with a registered capital of RMB20,000,000.

APPENDIX V

PROPERTY VALUATION

- (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 Transfer Agreement is subject to the approval by the shareholders of Orient (Xiamen) Golf Country Club Recreation Co., Ltd.;
 - (ii) A definitive transfer contract must be entered into between Orient (Xiamen) Golf Country Club Recreation Co., Ltd. and Xiamen Yuzhou Group Realty Invest Co., Ltd. within 60 days from the date of the Transfer Agreement which upon expiry of the said 60 days will become invalid automatically.
- (8) The status of title and grant of major approvals and licences pursuant to the information provided to us by the Group are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificates | Yes |
| Grant Contract of the State-owned Land Use Rights | Yes |
| Planning Permit for Construction Use of Land | No |
| Planning Permit for Constructions Works | Yes |
| Commencement Permit of Constructions Works | No |
| Business Licence | No |
| Transfer Agreement | Yes |

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

APPENDIX V

PROPERTY VALUATION

VALUATION CERTIFICATE

Group VII — Property leased to the Group in Hong Kong

<u>Property</u>	<u>Description and tenure</u>	<u>Capital value in existing state as at August 31, 2009</u>
41. Units 3208B-9, 32nd Floor, AIA Tower, No. 183 Electric Road, North Point, Hong Kong.	The property comprises an office unit on the 32nd floor of a 44-storey commercial building completed in 1998. The property has a gross floor area of approximately 137.59 sq.m. (1,481 sq.ft.) and is occupied by the Group as office. The property is currently leased to the Group for a term of 3 years from June 19, 2008 to June 18, 2011 at a monthly rent of HK\$71,604.	No commercial value

APPENDIX VI

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 April 23, 2008 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

- (a) The Memorandum states, inter alia, that the liability of each member of the Company is limited to the amount from time to time unpaid on the Shares held by such member and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the powers of a natural person or body corporate. In view of the fact that the Company is an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on October 9, 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments 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 be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise

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provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

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- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office

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or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;

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- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. 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 an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

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(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the 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 the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified 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 general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so

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that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company’s affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors’ report and a copy of the auditors’ report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company

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under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company’s annual accounts and the directors’ report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meeting shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) 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 ninety-five per cent (95%) in nominal value of the issued 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:

- (aa) the declaration and sanctioning of dividends;

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- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

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The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this

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purpose be treated as paid up on the share and (ii) all dividends shall 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. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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 board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, 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 in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. 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.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

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(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) 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 of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall

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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 *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members 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 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.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The 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 amount of its authorised share capital.

(b) Share capital

The 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 premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums 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 Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase of shares (subject to the provisions of section 37 of the 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.

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 business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

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(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 acting 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the 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 paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative 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 and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court 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 Court shall direct.

Any shareholder of a company may petition the Court 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

Generally claims against a company by its shareholders must 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.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from September 9, 2008.

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 the 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.

(k) 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.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

Members of the Company will have no general right under the 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.

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 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 of 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.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members’ voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being

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voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company’s affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator’s duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company’s liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company’s articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the 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.

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(q) 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 court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VIII. 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 is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 23, 2008 under the Companies Law. Our registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have registered a principal place of business in Hong Kong at Unit 3208B, 32nd Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong and have been registered as a non-Hong Kong Company under Part XI of the Hong Kong Companies Ordinance. Mr. Chiu Yu Kang has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above. As we are incorporated in the Cayman Islands, our corporate structure, our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of Cayman Islands company law are set out in Appendix VI to this document.

2. Changes in share capital of our Group

The Company

As of the date of our incorporation, the authorized share capital of the Company was US\$50,000 divided into 50,000 shares of par value of US\$1.00 each. The following sets out the changes in the Company’s share capital since the date of its incorporation:

- (a) on April 23, 2008, 1 ordinary share of US\$1.00 was allotted and issued, credited as fully paid, to Offshore Incorporations (Cayman) Limited as the initial subscriber which was transferred to Mr. Lam Lung On on the same date;
- (b) on April 23, 2008, 49 ordinary shares and 50 ordinary shares of US\$1.00 each were allotted and issued, credited as fully paid, to Mr. Lam Lung On and Ms. Kwok Ying Lan, respectively;
- (c) on September 14, 2009, the authorised share capital of the Company was increased by HK\$5,000 by the creation of 50,000 Shares of HK\$0.10 each;
- (d) on September 14, 2009, 50 Shares and 50 Shares were allotted and issued, credited as fully paid, to Mr. Lam Lung On and Ms. Kwok Ying Lan, respectively;
- (e) on September 14, 2009, the Company repurchased and cancelled 50 ordinary shares of US\$1.00 each held by Mr. Lam Lung On and 50 ordinary shares of US\$1.00 each held by Ms. Kwok Ying Lan;
- (f) on September 14, 2009, the authorised share capital of the Company was diminished by US\$50,000 by the cancellation of 50,000 ordinary shares of US\$1.00 each in the share capital of the Company;
- (g) on October 9, 2009, the authorised share capital of the Company was increased from HK\$5,000 to HK\$10,000,000,000 by the creation of 99,999,950,000 additional Shares; and

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- (h) on October 9, 2009, 403,199,479 Shares and 403,199,479 Shares were allotted and issued, credited as fully paid, to Mr. Lam Lung On and Ms. Kwok Ying Lan, respectively, as the full settlement by the Company of the outstanding advance of HK\$809,362,447 as of September 1, 2009 provided by Mr. Lam Lung On and Ms. Kwok Ying Lan (in equal proportions).

Save as disclosed in this Appendix, there has been no alteration in the Company’s share capital since the date of our incorporation.

Our subsidiaries

Our subsidiaries are referred to in the Accountants’ Report as set out in Appendix I to this document. The following alterations in the share capital (or registered capital, as the case maybe) of our subsidiaries have taken place within the two years preceding the date of this document:

- (a) *Yuzhou International Holdings Company Limited* 禹洲國際控股有限公司

On June 2, 2008, 100 shares in BVI Co. were allotted and issued to our Company.

- (b) *Hongkong Xingzhou Investment Company Limited* 香港星洲投資有限公司

As of January 1, 2006, 3,000 shares in Xingzhou Co. were allotted and issued to Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Chan Chieh Chung each, respectively and 1,000 shares in Xingzhou Co. were allotted and issued to Mr. Chan Kam Lit.

On October 9, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan transferred 3,000 shares and 3,000 shares, respectively, in Xingzhou Co. to BVI Co. for a consideration of HK\$1.00 and HK\$1.00, respectively.

- (c) *Yuzhou Group (H.K.) Company Limited* 禹洲集團(香港)有限公司

As of January 1, 2006, 5,000 shares and 5,000 shares in Hong Kong Yuzhou Group are held by Ms. Kwok Ying Lan and Mr. Lam Lung On, respectively.

On October 9, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan transferred 5,000 shares and 5,000 shares, respectively, in Hong Kong Yuzhou Group to BVI Co. for a consideration of HK\$1.00 and HK\$1.00, respectively.

- (d) *Hong Kong Fung Chow Investment Limited* 香港豐洲投資有限公司

As of January 1, 2006, 9,000 shares and 1,000 shares in Fung Chow Co. are held by Ms. Kwok Ying Lan and Mr. Lam Lung On, respectively.

On October 9, 2009, Mr. Lam Lung On and Ms. Kwok Ying Lan transferred 1,000 shares and 9,000 shares, respectively, in Fung Chow Co. to BVI Co. for a consideration of HK\$40,616,296.80 and HK\$365,546,671.20, respectively.

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- (e) *Dynasty International (1993) Private Limited* 新加坡國際帝元私營有限公司

As of January 1, 2006, 2,400,000 shares in Singapore Diyuan are held by Fung Chow Co.

- (f) *Kim International Realty And Development Company Limited* 菲律賓國際地產發展有限公司

As of January 1, 2006, 5,814 shares, 2,876 shares, 2,370 shares, 2,370 shares, 790 shares, 790 shares, 316 shares, 316 shares, 158 shares and 23,700 shares in Philippines International were held by Mr. Jose Balonan, Sunflower Umbrella Mfy. Co. Inc., Sun City Groups Co., Ltd., Orion Industries Inc., Mr. Quintin Gutierrez, Mr. Sy Ho Yung, Mr. Charles Cai (formerly known as Mr. Cai Rong Fu), Mr. Toh Hian Giap, Mr. Chua Un Tian and Fung Chow Co., respectively. On September 12, 2007, Mr. Jose Balonan, Sunflower Umbrella Mfy. Co. Inc., Sun City Groups Co., Ltd., Orion Industries Inc., Mr. Quintin Gutierrez, Mr. Sy Ho Yung, Mr. Charles Cai (formerly known as Mr. Cai Rong Fu), Mr. Toh Hian Giap and Mr. Chua Un Tian transferred all of the shares held by them respectively in Philippines International to Fung Chow Co..

- (g) *Fung Chow Holdings Limited* 豐洲集團有限公司

As of January 1, 2006, 60,000 shares, 30,000 shares and 10,000 shares in Fengzhou Group Co. are held by Fung Chow Co., Sanfull Investment Limited and Fengnin Investment Company Limited, respectively.

- (h) *Gangli Decoration Design Engineering Limited* 港麗裝飾設計工程有限公司

On August 30, 2007, one share in Gangli Decoration Co. was allotted and issued to Ready-Made Incorporations Limited. On September 4, 2007, one share in Gangli Decoration Co. was transferred by Ready-Made Incorporations Limited to Ms. Huang Shunu and on May 19, 2008, one share in Gangli Decoration Co. was transferred by Ms. Huang Shunu to Philippines International.

- (i) *Goastal Greenland Development (Fujian) Limited* 沿海綠色家園發展(福建)有限公司

As of January 1, 2006, Xingzhou Co. held the entire registered capital of Fujian Yanhai Co. in the amount of USD10,000,000.

- (j) *Xiamen Yaozhou Real Estate Development Company* 廈門堯洲房地產開發有限公司

As of January 1, 2006, Mr. Lin Longzhi held the registered capital of Yaozhou Co. in the amount of RMB800,000 on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan pursuant to the Entrustment Agreement (代持協議) dated March 2, 2001, and Yuzhou Co. held the registered capital of Yaozhou Co. in the amount of RMB10,000,000, respectively. On July 24, 2007, Mr. Lin Longzhi and Yuzhou Co. transferred their entire interests in the registered capital of Yaozhou Co. to Hong Kong Yuzhou Group and the Entrustment Agreement dated March 2, 2001 was thereby terminated.

- (k) *Xiamen Gangyi Real Estate Marketing Agent Co. Ltd.* 廈門港誼房產行銷代理有限公司

On July 4, 2007, Gangyi Realty Co. was established with a registered capital of HK\$5,000,000 contributed by Hong Kong Yuzhou Group.

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- (l) *Xiamen Yuzhou Commercial Investment & Management Co., Ltd.* 廈門禹洲商業投資管理有限公司

On April 18, 2007, Yuzhou Commercial Investment Management Co. was established with a registered capital of HK\$5,000,000 contributed by Hong Kong Yuzhou Group.

- (m) *Xiamen Diyuan Bonded Storage and Distribution Co., Ltd.* 廈門帝元保稅儲運有限公司

As of January 1, 2006, Xiamen Kaiyuan Trading Co., Ltd. and Singapore Diyuan held the entire registered capital of Xiamen Diyuan Co. in the amount of RMB400,000 and RMB7,600,000, respectively. On June 21, 2007, Xiamen Kaiyuan Trading Co., Ltd. transferred its entire interest in the registered capital of Xiamen Diyuan Co. to Xiamen Kaiyuan State-owned Assets Operation Co., Ltd. On November 11, 2008, the registered capital of Xiamen Diyuan Co. was increased from RMB8,000,000 to RMB20,000,000, of which all was contributed by Singapore Diyuan.

- (n) *Xiamen Kim International Realty Development Co., Ltd.* 廈門金國際地產發展有限公司

As of January 1, 2006, Philippines International held the entire registered capital of Jinguoji Co. in the amount of USD7,000,000. On November 27, 2007, the registered capital of Jinguoji Co. was increased from USD7,000,000 to USD15,000,000, of which all was contributed by Philippines International. On June 30, 2008, Xiamen Foreign Investment Bureau has approved the application of Jinguoji Co. to increase its investment amount and registered capital from USD20 million and USD15 million to USD118.6 million and USD113.6 million respectively, and the Group is required to pay at least 20% of the increase in registered capital up-front, with the remainder to be settled within two years afterwards. Please see “Risk factors — Risks relating to our business — Our business, financial condition and results of operations may be materially and adversely affected if we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience material delays in obtaining, PRC Government approvals or certificates for our property developments” for more details.

- (o) *Xiamen Richville Development Limited* 廈門貴豐房地產開發有限公司

As of January 1, 2006, Mr. Shi Zhicheng, Mr. Chen Mingjian and Mr. Hong Zhiyuan held the entire registered capital of Guifeng Co. in the amount of USD1,666,500, USD1,666,500 and USD1,667,000, respectively. On February 14, 2007, Mr. Shi Zhicheng, Mr. Chen Mingjian and Mr. Hong Zhiyuan transferred their entire interests in the registered capital of Guifeng Co. of USD5,000,000 in aggregate to Fung Chow Co.

- (p) *Xiamen Ganyi Real-Estate Co., Ltd.* 廈門港誼置業有限公司

According to the Entrustment Agreement (代持協議) among Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Conghui dated April 9, 2005, Mr. Lin Conghui held the registered capital of Gangyi Investment Co. in the amount of RMB500,000 on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan. Upon the transfer of these interests in Gangyi Investment Co., the Entrustment Agreement was terminated on April 30, 2006. As of April 30, 2006, Fung Chow Co. held the registered capital of Gangyi Investment Co. in the amount of RMB5,000,000.

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- (q) *Xiamen Fengzhou Real-Estate Co., Ltd.* 廈門豐洲置業有限公司

As of January 1, 2006, Fengzhou Group Co. held the registered capital of Fengzhou Investment Co. in the amount of HK\$18,000,000.

- (r) *Xiamen Yuzhou Hotel Invest & Manage Co., Ltd.* 廈門禹洲酒店投資管理有限公司

On May 24, 2006, Fung Chow Co. and Yuzhou Development Co. held the registered capital of Xiamen Yuzhou Hotel Co. in the amount of RMB47,500,000 and RMB2,500,000, respectively.

- (s) *Xiamen Yuzhou Group Realty Invest Co., Ltd.* 廈門禹洲集團地產投資有限公司

On June 20, 2006, Fung Chow Co. and Yuzhou Development Co. held the registered capital of Yuzhou Real Estate Investment Co. in the amount of RMB19,000,000 and RMB1,000,000, respectively.

- (t) *Xiamen Skyplaz Realty & Development Co., Ltd.* 廈門海天房地產開發有限公司

As of January 2006, Yuzhou Development Co. and Fung Chow Co. held the registered capital of Hai Tian Co. in the amount of USD4,600,000 and USD2,000,000, respectively. On December 29, 2006, Yuzhou Development Co. transferred its interest in Hai Tian Co. to Fung Chow Co. in the amount of USD4,270,000.

- (u) *Hefei Yuzhou Real Estate Development Co., Ltd.* 合肥禹洲房地產開發有限公司

On August 1, 2006, Fung Chow Co. and Ms. Zhu Hua held the entire registered capital of Hefei Yuzhou Co. in the amount of USD5,400,000 and USD600,000, respectively. On May 28, 2008, Ms. Zhu Hua transferred her entire interest in the registered capital of Hefei Yuzhou Co. to Fung Chow Co. On August 11, 2008, the Bureau of Commerce of Anhui Province has approved the application of Hefei Yuzhou Co. to increase its investment amount and registered capital from USD15,000,000 and USD6,000,000 to USD90,000,000 and USD90,000,000 respectively.

- (v) *Xiamen Huaqiao City Real Estate Co., Ltd.* 廈門華僑城房地產開發有限公司

As of January 1, 2006, Fengnin International Limited and Fung Chow Co. held the entire registered capital of Xiamen Huaqiaocheng Co. in the amount of RMB3,000,000 and RMB17,000,000, respectively. On May 15, 2008, Fengnin International Limited transferred its entire interest in the registered capital of Xiamen Huaqiaocheng Co. to Fung Chow Co.

- (w) *Anhui Overseas City Construction & Development Co., Ltd.* 安徽華僑城建設發展有限公司

As of January 1, 2006, Hong Kong Yuzhou Investment Limited and Daiichi International (Holdings) HK Ltd. held the registered capital of Anhui Huaqiaocheng Co. in the amount of USD2,700,000 and USD300,000, respectively. On October 17, 2006, Hong Kong Yuzhou Investment Limited and Daiichi International (Holdings) HK Ltd. transferred their entire interests in the registered capital of Anhui Huaqiaocheng Co. to Fung Chow Co.

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(x) *Xiamen Yuzhou Group Ltd.* 廈門禹洲集團股份有限公司*

As of January 1, 2006, Ms. Ye Biyun, Mr. Lin Longzhi, Mr. Lin Conghui, Ms. Kwok Ying Lan and Mr. Lin Longtong held the registered capital of Yuzhou Co. in the amount of RMB36,600,000, RMB2,800,000, RMB2,800,000, RMB12,800,000 and RMB800,000 respectively. According to an Entrustment Agreement (代持協議) among Mr. Lam Lung On, Ms. Kwok Ying Lan, Ms. Ye Biyun, Mr. Lin Longzhi, Mr. Lin Conghui and Mr. Lin Longtong dated March 28, 2003, Ms. Ye Biyun, Mr. Lin Longzhi, Mr. Lin Conghui and Lin Longtong held their interests in the registered capital of Yuzhou Co. on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan. On March 5, 2007, Ms. Kwok Ying Lan and Mr. Lin Longtong transferred their entire interests in the registered capital of Yuzhou Co. to Ms. Ye Biyun. On January 28, 2008, Ms. Ye Biyun transferred her entire interest in the registered capital of Yuzhou Co. to Gangyi Investment Co., Mr. Lin Longzhi and Mr. Lin Conghui transferred their respective entire interests in the registered capital of Yuzhou Co. to Jinguoji Co. and Guifeng Co, respectively. Upon the transfer of these interest in Yuzhou Co., the Entrustment Agreement dated March 28, 2003 was terminated on January 28, 2008.

(y) *Shanghai Kangtai Real Estate Development Co., Ltd.* 上海康泰房地產開發有限公司*

As of January 1, 2006, Ms. Kwok Ying Lan and Mr. Lin Longzhi held the registered capital of Kangtai Co. in the amount of RMB16,500,000 and RMB13,500,000, respectively. According to the Entrustment Confirmation Letter (代持確認書) between Ms. Kwok Ying Lan and Mr. Lin Longzhi dated January 28, 2008, Mr. Lin Longzhi held his entire interest in the registered capital of Kangtai Co. on behalf of Ms. Kwok Ying Lan from August 7, 2004 to August 25, 2006. On August 30, 2006, Mr. Lin Longzhi transferred his entire interest in Kangtai Co. to Yuzhou Co. and the entrustment arrangement was thereby terminated. On August 30, 2006, Ms. Kwok Ying Lan and Mr. Lin Longzhi transferred their entire interests in the registered capital of Kangtai Co. to Yuzhou Co.

(z) *Shanghai Kangtai Property Management Co., Ltd.* 上海康泰物業管理有限公司*

On July 10, 2007, Kangtai Properties Co. was established with a registered capital of RMB1,000,000 contributed by Kangtai Co.

(aa) *Shanghai Yuejiang Realty Co., Ltd.* 上海悅江置業有限公司*

As of January 1, 2006, Yuzhou Co. and Kangtai Co. held the registered capital of Yuejiang Co. in the amount of RMB43,200,000 and RMB4,800,000, respectively.

(bb) *Shanghai Yanhai Real Estate Development Co., Ltd.* 上海燕海房地產開發經營有限責任公司*

As of September 8, 2006, Hainan Yanhai Property Development Co., Ltd. and Yuejiang Co. held the entire registered capital of Shanghai Yanhai Co. in the amount of RMB2,550,000 and RMB48,450,000, respectively. On December 28, 2006, Hainan Yanhai Property Development Co., Ltd. transferred its entire interest in Shanghai Yanhai Co. to Yuejiang Co.

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(cc) *Shanghai Liyade Property Investment Co., Ltd.* 上海利雅得投資置業有限公司*

As of January 1, 2006, Mr. Li Junqin and Ms. Lu Haihua held the entire registered capital of Liyade Co. in the amount of RMB5,000,000 and RMB5,000,000, respectively. On August 16, 2007, Mr. Li Junqin and Ms. Lu Haihua transferred their entire interests in Liyade Co. to Ms. Li Yun and Mr. Liu Jianwei, respectively. On August 29, 2007, Ms. Li Yun and Mr. Liu Jianwei transferred their entire interests in Liyade Co. to Yuejiang Co. On April 9, 2008, Shanghai Administration of Industry and Commerce Administration Pudong New District Branch has approved the application of Liyade Co. to increase its registered capital from RMB10,000,000 to RMB42,000,000.

(dd) *Shanghai Yuzhou Hotel Management Co., Ltd.* 上海禹洲酒店管理有限公司*

On March 7, 2007, Shanghai Yuzhou Hotel Co. was established with a registered capital of RMB2,000,000 contributed by Yuejiang Co.

(ee) *Xiamen Huaqiao City Real Estate Management Service Co., Ltd.*
廈門華僑城物業經營服務有限公司*

As of January 1, 2006, Yuzhou Co. and Mr. Lin Conghui held the entire registered capital of Huaqiaocheng Properties Co. in the amount of RMB2,800,000 and RMB200,000, respectively. According to the Entrustment Confirmation Letter (代持確認書) between Mr. Lam Lung On and Mr. Lin Conghui dated January 28, 2008, Mr. Lin Conghui held his entire interest in the registered capital of Huaqiaocheng Properties Co. on behalf of Mr. Lam Lung On from March 11, 2003 to May 21, 2017. On January 3, 2008, Mr. Lin Conghui transferred his entire interest in Huaqiaocheng Properties Co. to Yuzhou Co. and the entrustment arrangement was thereby terminated.

(ff) *Xiamen Yuzhou Property Development Co., Ltd.* 廈門禹洲房地產開發有限公司*

As of January 1, 2006, Ms. Ye Biyun and Yuzhou Co. held the entire registered capital of Yuzhou Development Co. in the amount of RMB10,000,000 and RMB13,600,000, respectively. According to an Entrustment Agreement (代持協議) dated March 2, 2001, Ms. Ye Biyun held her entire interest in Yuzhou Development Co. on behalf of Mr. Lam Lung On. On January 3, 2008, Ms. Ye Biyun transferred her entire interest in the registered capital of Yuzhou Development Co. to Yuzhou Co. and the Entrustment Agreement dated March 2, 2001 was thereby terminated.

(gg) *Xiamen Gangyi Communications Co., Ltd.* 廈門港誼通訊有限公司*

On August 31, 2006, Ms. Ye Biyun and Mr. Lin Conghui held the entire registered capital of Gangyi Communications Co. in the amount of RMB4,750,000 and RMB250,000, respectively. According to an Entrustment Agreement (代持協議) among Mr. Lam Lung On, Ms. Kwok Ying Lan, Ms. Ye Biyun and Mr. Lin Conghui dated September 1, 2006, Ms. Ye Biyun and Mr. Lin Conghui held their interests in Gangyi Communications Co. on behalf of Mr. Lam Lung On and Ms. Kwok Ying Lan. On January 29, 2008, Ms. Ye Biyun and Mr. Lin Conghui transferred their entire interests in the registered capital of Gangyi Communications Co. to Gangyi Investment Co. and the Entrustment Agreement dated September 1, 2006 was thereby terminated.

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(hh) *Fujian Yingfeng Real Estate Investment Co., Ltd.* 福建盈峰地產投資有限公司

As of January 1, 2006, Mr. Liu Yu, Mr. Huang Jian and Mr. Yu Long held the entire registered capital of Yingfeng Co. in the amount of RMB9,000,000, RMB1,000,000 and RMB40,000,000, respectively. On March 26, 2007, Mr. Huang Jian and Mr. Yu Long transferred their entire interests in the registered capital of Yingfeng Co. to Mr. Liu Yu and Gangyi Communications Co., respectively.

(ii) *Fujian Big World Huaxia Real Estate Development Co., Ltd.**

福建大世界華夏房地產有限公司

As of January 1, 2006, Fuzhou Dashijie Group Company Limited, Mr. Chen Maowang, Ms. Qi Yanyun, Mr. Zhong Yutao, Mr. Yang Guoqiao, Ms. Yang Guiyin and Mr. Fang Yongfeng held the entire registered capital of Dashijie Co. in the amount of RMB13,600,000, RMB4,000,000, RMB4,000,000, RMB2,000,000, RMB2,000,000, RMB7,200,000 and RMB7,200,000, respectively. On March 26, 2007, Fuzhou Dashijie Group Company Limited transferred its interest in the registered capital of Dashijie Co. in the amount of 12,400,000 to Mr. Zhu Guhe, Mr. Qi Xiaoxi and Fuzhou Dasenlin Import Trading Co., Ltd. in the amount of RMB8,000,000, RMB3,600,000 and RMB800,000, respectively. On April 2, 2007, Mr. Chen Maowang, Mr. Zhong Yutao, Ms. Yang Guiying and Mr. Fang Yongfeng transferred their entire interests in the registered capital of Dashijie Co. in the aggregate amount of RMB20,000,000 to Yingfeng Co. On April 23, 2007, Fuzhou Dashijie Group Company Limited, Ms. Qi Yanyun, Mr. Yang Guoqiao, Mr. Fang Yongfeng, Mr. Zhu Guhe, Mr. Qi Xiaoxi and Fuzhou Dasenlin Import Trading Co., Ltd. transferred their entire interests in the registered capital of Dashijie Co. in the aggregate amount of RMB20,000,000 to Yingfeng Co.

(jj) *Fujian Wanlong Property Management Co., Ltd.** 福建萬龍物業管理服務有限公司

As of April 3, 2006, Dashijie Co. held the entire registered capital of Wanlong Co. in the amount of RMB5,000,000.

(kk) *Hefei Ludong Real Estate Development Co., Ltd.** 合肥廬東房地產開發有限責任公司

On January 16, 2006, Ludong Co. was established with a registered capital of RMB8,000,000 contributed by Mr. Li Yonghao and Ms. Hu Mingcui in the amount of RMB6,000,000 and RMB2,000,000, respectively. On November 17, 2006, Mr. Li Yonghao and Ms. Hu Mingcui transferred their interests in the registered capital of Ludong Co. in the amount of RMB3,060,000 and RMB1,020,000, respectively, to Hefei Luxi Real Estate Development Limited Liability Company. On July 5, 2007, Hefei Luxi Real Estate Development Limited Liability Company transferred its entire interests in the registered capital of Ludong Co. to Mr. Li Yonghao and Ms. Hu Mingcui in the amount of RMB3,060,000 and RMB1,020,000, respectively. On July 11, 2007, Mr. Li Yonghao and Ms. Hu Mingcui transferred their interests in the registered capital of Ludong Co. in the amount of RMB5,600,000 and RMB2,000,000, respectively, to Anhui Huaqiaocheng Co. On January 20, 2008, Mr. Li Yonghao transferred his entire interest in the registered capital of Ludong Co. of RMB400,000 to Anhui Huaqiaocheng Co. On March 1, 2008, Anhui Huaqiaocheng Co. transferred its interest in the registered capital of Ludong Co. to Yuzhou Development Co. in the amount of RMB4,000,000.

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(ll) *Hefei Kangli Realty Co., Ltd.* 合肥市康麗置業有限公司*

As of January 1, 2006, Ms. Li Hexia, Mr. Wang Guowen and Mr. Huang Mo held the entire registered capital of Kangli Co. in the amount of RMB8,064,000, RMB1,008,000 and RMB1,008,000, respectively. On February 6, 2007, Ms. Li Hexia, Mr. Wang Guowen and Mr. Huang Mo transferred their interests in the entire registered capital of Kangli Co. in the amount of RMB7,056,000, RMB1,008,000 and RMB1,008,000, respectively, to Anhui Huaqiaocheng Co. On August 25, 2007, Ms. Li Hexia transferred her entire interest in the registered capital of Kangli Co. in the amount of RMB1,008,000 to Anhui Huaqiaocheng Co.

(mm) *Fujian Oriental Venice Leisure Development Co., Ltd. **
福建東方威尼斯休閒娛樂發展有限公司

On April 20, 2006, Fujian Oriental Venice Co. was established with a registered capital of RMB8,000,000 contributed by Dashijie Co.

Save as disclosed in this document, there has been no other alteration in the share capital of our subsidiaries in the two years preceding the date of this document.

3. Written resolutions of the Company’s shareholders

Pursuant to written resolutions of our Shareholders passed on October 9, 2009:

the Company adopted the Articles of Association.

4. The Reorganization

In 2008 and 2009, the members of our Group underwent the Reorganization. For information relating to our Reorganization please see “History, Reorganization and Group Structure — Reorganization” for more details.

Following the Reorganization, our Company became the ultimate holding company of our principal operating subsidiaries.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

- (a) an equity transfer agreement dated January 3, 2008, entered into between Yuzhou Co. and Ms. Ye Biyun by which Yuzhou Co. acquired 42.37% equity interest in Yuzhou Development

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- Co. from Ms. Ye Biyun at the consideration of RMB10,000,000. The acquisition was completed on January 24, 2008, upon which Yuzhou Development Co. was held as to 100% by Yuzhou Co.;
- (b) an equity transfer agreement dated January 3, 2008, entered into between Yuzhou Co. and Mr. Lin Conghui by which Yuzhou Co. acquired 6.67% equity interest in Huaqiaocheng Properties Co. from Mr. Lin Conghui at the consideration of RMB200,000. The acquisition was completed on January 24, 2008, upon which Huaqiaocheng Properties Co. was held as to 100% by Yuzhou Co.;
 - (c) an equity transfer agreement dated January 3, 2008, entered into between Gangyi Investment Co. and Yaozhou Management Co. by which Yaozhou Management Co. acquired 100% equity interest in Zongheng Co. from Gangyi Investment Co. at the consideration of RMB5,000,000. The acquisition was completed on January 24, 2008, upon which Zongheng Co. was held as to 100% by Yaozhou Management Co.;
 - (d) an equity transfer agreement dated January 7, 2008, entered into between Guifeng Co. and Mr. Lin Longzhi by which Guifeng Co. acquired 5.02% equity interest in Yuzhou Co. from Mr. Lin Longzhi at the consideration of RMB2,800,000. The acquisition was completed on January 28, 2008, upon which Yuzhou Co., was held as to 5.02% by Guifeng Co.;
 - (e) an equity transfer agreement dated January 7, 2008, entered into between Jinguoji Co. and Mr. Lin Conghui by which Jinguoji Co. acquired 5.02% equity interest in Yuzhou Co. from Mr. Lin Conghui at the consideration of RMB2,800,000. The acquisition was completed on January 28, 2008, upon which Yuzhou Co. was held as to 5.02% by Jinguoji Co.;
 - (f) an equity transfer agreement dated January 7, 2008, entered into between Gangyi Investment Co. and Ms. Ye Biyun by which Gangyi Investment Co. acquired 89.96% equity interest in Yuzhou Co. from Ms. Ye Biyun at the consideration of RMB50,200,000. The acquisition was completed on January 28, 2008, upon which Yuzhou Co. was held as to 89.96% by Gangyi Investment Co.;
 - (g) an equity transfer agreement dated January 20, 2008, entered into between Anhui Huaqiaocheng Co. and Mr. Li Yonghao by which Anhui Huaqiaocheng Co. acquired 5% equity interest in Ludong Co. from Mr. Li Yonghao at the consideration of RMB400,000. The acquisition was completed on March 18, 2008, upon which Ludong Co. was held as to 100% by Anhui Huaqiaocheng Co.;
 - (h) an equity transfer agreement dated January 24, 2008, entered into between Gangyi Communications Co. and Gangyi Capital Co. by which Gangyi Capital Co. acquired 99.9551% equity interest in Zongheng Group from Gangyi Communications Co. at the consideration of RMB168,224,423. The acquisition was completed on January 28, 2008, upon which Zongheng Group was held as to 99.9551% by Gangyi Capital Co., 0.02251% by Mr. Du Rusheng, 0.01239% by Ms. Yang Ze and 0.01% by Ms. Fu Miaoling;
 - (i) an equity transfer agreement dated January 27, 2008, entered into between Gangyi Investment Co. and Ms. Ye Biyun by which Gangyi Investment Co. acquired 95% equity interest in Gangyi Communications Co. from Ms. Ye Biyun at the consideration of RMB4,750,000. The acquisition was completed on January 29, 2008, upon which, together with the acquisition referred to in paragraph (j) below, Gangyi Communications Co. was held as to 100% by Gangyi Investment Co.;

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- (j) an equity transfer agreement dated January 27, 2008, entered into between Gangyi Investment Co. and Mr. Lin Conghui by which Gangyi Investment Co. acquired 5% equity interest in Gangyi Communications Co. from Mr. Lin Conghui at the consideration of RMB250,000. The acquisition was completed on January 29, 2008, upon which, together with the acquisition referred to in paragraph (i) above, Gangyi Communications Co. was held as to 100% by Gangyi Investment Co.;
- (k) an equity transfer agreement dated March 1, 2008, entered into between Anhui Huaqiaocheng Co. and Yuzhou Development Co. by which Yuzhou Development Co. acquired 5% equity interest in Ludong Co. from Anhui Huaqiaocheng Co. at the consideration of RMB4,000,000. The acquisition was completed on March 18, 2008, upon which, Ludong Co. was held as to 95% by Anhui Huaqiaocheng Co. and 5% as to Yuzhou Development Co.;
- (l) an equity transfer agreement dated March 18, 2008, entered into between Fengnin International Limited and Fung Chow Co. by which Fung Chow Co. acquired 15% equity interest in Xiamen Huaqiaocheng Co. from Fengnin International Limited at the consideration of RMB3,000,000. The acquisition was completed on May 15, 2008, upon which Xiamen Huaqiaocheng Co. was held as to 100% by Fung Chow Co.;
- (m) an equity transfer agreement dated April 8, 2008, entered into between Ms. Zhu Hua and Fung Chow Co. by which Fung Chow Co. acquired 10% equity interest in Hefei Yuzhou Co. from Ms. Zhu Hua at the consideration of US\$600,000. The acquisition was completed on May 28, 2008, upon which Hefei Yuzhou Co. was held as to 100% by Fung Chow Co.;
- (n) an instrument of transfer and bought and sold notes dated September 21, 2009 and entered into between Mr. Lam Lung On and BVI Co. pursuant to which Mr. Lam Lung On transferred 3,000 shares in the issued share capital of Xingzhou Co. to BVI Co. at a cash consideration of HK\$1.00;
- (o) an instrument of transfer and bought and sold notes dated September 21, 2009 and entered into between Ms. Kwok Ying Lan and BVI Co. pursuant to which Ms. Kwok Ying Lan transferred 3,000 shares in the issued share capital of Xingzhou Co. to BVI Co. at a cash consideration of HK\$1.00;
- (p) a sale and purchase agreement dated September 21, 2009 entered into between Mr. Lam Lung On and Ms. Kwok Ying Lan as vendors and BVI Co. as the purchaser pursuant to which Mr. Lam Lung On and Ms. Kwok Ying Lan agreed to transfer their respective equity interests in an aggregate of 6,000 shares in the issued share capital of Xingzhou Co. to BVI Co. for an aggregate cash consideration of HK\$2.00;
- (q) an instrument of transfer and bought and sold notes dated September 21, 2009 and entered into between Mr. Lam Lung On and BVI Co. pursuant to which Mr. Lam Lung On transferred 5,000 shares in the issued share capital of Hong Kong Yuzhou Group to BVI Co. at a cash consideration of HK\$1.00;
- (r) an instrument of transfer and bought and sold notes dated September 21, 2009 and entered into between Ms. Kwok Ying Lan and BVI Co. pursuant to which Ms. Kwok Ying Lan transferred 5,000 shares in the issued share capital of Hong Kong Yuzhou Group to BVI Co. at a cash consideration of HK\$1.00;

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- (s) a sale and purchase agreement dated September 21, 2009 entered into between Mr. Lam Lung On and Ms. Kwok Ying Lan as vendors and BVI Co. as the purchaser pursuant to which Mr. Lam Lung On and Ms. Kwok Ying Lan agreed to transfer their respective equity interests in the entire issued share capital of Hong Kong Yuzhou Group to BVI Co. for an aggregate cash consideration of HK\$2.00;
- (t) an instrument of transfer and bought and sold notes dated September 21, 2009 and entered into between Mr. Lam Lung On and BVI Co. pursuant to which Mr. Lam Lung On transferred 1,000 shares in the issued share capital of Fung Chow Co. to BVI Co. at a cash consideration of HK\$40,616,296.80;
- (u) an instrument of transfer and bought and sold notes dated September 21, 2009 and entered into between Ms. Kwok Ying Lan and BVI Co. pursuant to which Ms. Kwok Ying Lan transferred 9,000 shares in the issued share capital of Fung Chow Co. to BVI Co. at a cash consideration of HK\$365,546,671.20;
- (v) a sale and purchase agreement dated September 21, 2009 entered into between Mr. Lam Lung On and Ms. Kwok Ying Lan as vendors and BVI Co. as the purchaser pursuant to which Mr. Lam Lung On and Ms. Kwok Ying Lan agreed to transfer their respective equity interests in the entire issued share capital of Fung Chow Co. to BVI Co. for an aggregate cash consideration of HK\$406,162,968.00;
- (w) a deed of non-competition undertakings dated October 9, 2009 entered into between our Company, Mr. Lam Lung On and Ms. Kwok Ying Lan pursuant to which Mr. Lam Lung On and Ms. Kwok Ying Lan agreed not to compete with us in our core business, further details of which are set out in the section headed “Relationship with our controlling shareholders — Non-Competition Undertakings from our Controlling Shareholders”; and
- (x) a deed of indemnity dated October 9, 2009 given Mr. Lam Lung On and Ms. Kwok Ying Lan in favor of the Company and their subsidiaries in respect of, amongst others, taxation and certain indemnities referred to in the sub-section headed “E. Other information — 1. Estate duty, tax and other indemnities” in this Appendix.

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2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered/ has applied for the registration of the following intellectual property rights.

(a) Trademarks

As of the Latest Practicable Date, we were the registrant of the following trade marks with the relevant authorities in the PRC:

Trade Mark number	Trade Mark	Registrant	Class	Products or services covered	Validity period
1367817		Yuzhou Co.	19	lumber for construction use; non-metal building; non-metal construction material; non-metal construction structure; fiberglass steel construction unit; coating (construction material); non-metal floor brick; ceramic tile; concrete construction unit; construction glass	2000.02.28 – 2010.02.27
1359967		Yuzhou Co.	36	realty leasing; realty agent; realty management; mansion management; mansion leasing; realty valuation; realty broker	2000.01.28 – 2010.01.27
1359980		Yuzhou Co.	37	architecture information; architecture supervision; maintenance information; architecture; interior decoration; adorning; interior and exterior painting	2000.01.28 – 2010.01.27
1367410		Yuzhou Co.	42	architecture; architecture consultation; interior decoration; architecture drawing; gardening; courtyard scenery; lawn trimming; tree trimming	2000.02.21 – 2010.02.20

As of the Latest Practicable Date, we had filed the application for registration of the following trade mark with the relevant authorities in the PRC:

Trade Mark number	Trade Mark	Applicant	Class	Products or services covered	Application date
6763809		Yuzhou Co.	36	Insurance; financial service; artwork evaluation; real estate rent; real estate management; commercial property sale; brokerage; guarantee; trust; pledge.	2008.06.04

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As of the Latest Practicable Date, we have registered the following trade marks with the relevant authorities in Hong Kong:

Trade Mark number	Trade Mark	Registrant	Class	Products or services covered	Validity period
301047799AA		Hong Kong Yuzhou Group	36	insurance; financial affairs; monetary affairs; real estate affairs.	2008.02.06 – 2018.02.05
			45	legal services.	

(b) Domain names

As of the Latest Practicable Date, we had registered and maintained the following domain names:

Domain name	Registered person	Date of registration	Expiry Date
禹洲.com	Yuzhou Co.	December 2, 2005	December 2, 2015
禹洲.中国	Yuzhou Co.	December 2, 2005	December 2, 2015
禹洲集团.com	Yuzhou Co.	December 2, 2005	December 2, 2015
禹洲集团.中国	Yuzhou Co.	December 2, 2005	December 2, 2015

The content on our website does not form part of this document.

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to our Group’s business.

C. FURTHER INFORMATION ABOUT DIRECTORS

1. Particulars of Directors’ service contracts

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from October 9, 2009. Either party has the right to give not less than three months’ written notice to terminate the agreement.

The particulars of these agreements are in all material respects identical and are set out below:

- each of the executive Directors is entitled to a salary and, at the discretion of the Board, a bonus payment; and
- the aggregate annual salary of the four executive Directors is RMB3,800,000 subject to review according to the terms of the service contract;
- each of the executive Directors shall abstain from voting and not be counted towards the quorum in respect of any resolution of the Board regarding the amount of annual salary or bonus payment payable to him.

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(b) Independent non-executive Directors

Each of independent non-executive Directors has entered into a letter of appointment with our Company. None of them has entered into any service contract with our Group. The term of office of our independent non-executive Directors is for a period of three years with effect from October 9, 2009 and either our Company or the relevant Director can give either one month’s prior notice or prior notice for any other period not exceeding 12 months as mutually agreed between our Board and the relevant Director at any time to terminate the appointment without payment of compensation, and the appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

The terms of each of the letters of appointment of each of such independent non-executive Directors are in all material respects identical. Each of the independent non-executive Directors is entitled to a director’s fee.

Save as disclosed in this document, none of the Directors has or is proposed to have entered into any service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

2. Remuneration of Directors

The aggregate amount of remuneration (including fee, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors for the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was approximately RMB317,000, RMB385,000, RMB3,318,000 and RMB1,549,000, respectively.

Under arrangements in force at the date of this document, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the financial year ending December 31, 2009 is estimated to be no more than RMB3.3 million.

Our Company’s policy concerning the remuneration of the Directors is that the amount of remuneration is determined on the basis of the relevant Director’s experience, responsibility and the time devoted to the business of our Group.

Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2008 by our Company to the Directors.

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3. Agency fees or commission

Save as disclosed in this document, within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

4. Related party transactions

During the two years immediately preceding the date of this document, our Company has engaged in dealings with certain Directors and their associates as described in the section headed “Connected Transactions” and Note 36 to the “Notes to the Financial Information” section of the Accountants’ Report set out in Appendix I of this document.

D. DISCLAIMERS

Save as disclosed in this document:

- (a) none of the Directors nor any of the parties whose names are listed in the paragraph headed “Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of the Directors nor any of the parties whose names are listed in the paragraph headed “Qualification of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our Company’s business;
- (c) save as referred to above, there are no existing or proposed service contracts (excluding contracts expiring or terminable by any member of our Group within one year without payment of compensation other than statutory compensations) between any member of our Group and our Directors; and
- (d) none of the Directors or their associates or any Shareholder of our Company who to the knowledge of the Directors owns more than 5% of the issued share capital of our Company has any interest in the five largest suppliers of our Company.

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E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the “Indemnifiers”) have entered into a deed of indemnity in favor of the Company (for itself and as trustee for each of its subsidiaries) (being a material contract referred to in the paragraph headed “Summary of material contracts” of this Appendix) to provide indemnities on a joint and several basis in respect of, among others:

- (a) any liability for Hong Kong estate duty which may be payable by any member of our Group by reason of any transfer of property within the meaning of section 35 or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the completion of the Reorganization;
- (b) any taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters, business, activity or omission earned, accrued, received, entered into, carried on, or occurring on or before the completion of the Reorganization;
- (c) any additional taxation incurred on or before the date of completion of the Reorganization which is imposed on, pursuant to, arising or resulting from the change of taxation policy or treatment of basis for calculation of the EIT by the relevant taxation authorities in the PRC (including any changes of the basis of calculation from the authorized taxation method to other methods or the abolition of the authorized taxation method for EIT in Fujian Province by the relevant taxation authorities in the PRC);
- (d) any additional taxation incurred on or before the date of completion of the Reorganization which is imposed on, pursuant to, arising or resulting from (x) any laws, rules and regulations promulgated to implement the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (Guo Shui Fa [2006] No.187) (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 became effective on February 1, 2007; or (y) the change of taxation policy or treatment of basis for calculation of LAT by the relevant taxation authorities in the PRC (including any changes of the basis of calculation from the authorized taxation method to other methods or the abolition of the authorized taxation method for LAT in Fujian Province by the relevant taxation authorities in the PRC);
- (e) any liabilities, damages, fines, penalties, costs, losses or expenses for the failure of any company within our Group to obtain a land use rights certificate and building ownership certificate in connection with any properties developed or owned by them as required under PRC laws and regulations;
- (f) any liabilities, damages, fines, penalties, costs, losses or expenses for the failure of any company within our Group to register the leases or obtain the property leasing certificates in connection with any of properties leased by the companies within our Group as required under PRC laws and regulations;

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- (g) any liabilities, damages, fines, penalties, costs, losses or expenses for the delays in the construction of Yuzhou Huaqiao City, Phase IV of Yuzhou Jinqiao International and Phase III of Oriental Venice as required under PRC laws and regulations;
- (h) any liabilities, damages, fines, penalties, costs, loss or expenses as a result of obtaining loans directly from any PRC third party entities other than banks under PRC laws and regulations; and
- (i) any liabilities, damages, costs losses or expenses for the non-compliance with the environmental regulations of any of company within our Group in the PRC.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision, reserve or allowance has been made for such taxation in the audited combined financial information of our Group for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009; (b) such taxation arises in the ordinary course of business of our Group in respect of its accounting period commencing on or after completion of the Reorganization, unless such taxation or liability for such taxation would not have arisen but for any event occurring, or income or profits earned, accrued or received or alleged to have been earned, accrued or received, or transactions entered into in the ordinary course of business after June 30, 2009; (c) any provision, reserve or allowance made for taxation in the audited combined financial information of our Group for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 is finally established to contain an over-provision or an excessive reserve or allowance; (d) such taxation or liability would not have arisen but for any act or omission or delay by any member of our Group voluntarily effected after completion of the Reorganization, other than such act or omission effected in the ordinary course of business after the date of the deed of indemnity or such act or omission carried out, made or entered into pursuant to a legally binding commitment created on or before the date of the deed of indemnity; and (e) the taxation arises or is incurred as a result of a retrospective change in the law or regulation or the interpretation thereof or practice by the relevant tax authority coming into force after the date of completion of the Reorganization or where the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or interpretation thereof or practice by the relevant tax authority after completion of the Reorganization with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, the BVI, Hong Kong or the PRC.

2. Litigation

No member of our Group is engaged in any material litigation, arbitration, claim of material importance or administrative proceedings. So far as the Directors are aware, no such litigation, arbitration or administrative proceedings are pending or threatened by or against our Group, that would have a material adverse effect on the results of operations or financial condition of our Group.

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4. No material adverse change

Save as disclosed in this document, the Directors believe that there has been no material adverse change in our Group’s financial or trading position or prospects since June 30, 2009 (being the date on which the latest audited combined financial information of our Group was made up).

4. Qualification of experts

The qualifications of the experts who have given opinions in this document are as follows:

<u>Name of Expert</u>	<u>Qualification</u>
Ernst & Young	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer
Commerce and Finance Law Offices	PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

5. Consents of experts

Each of the experts referred to in paragraph 9 above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letters and/or valuation certificates (as the case may be) and/or the references to its name included herein in the form and context in which they are respectively included.

11. Miscellaneous

(a) Save as disclosed in this document:

- (i) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) our Company has no outstanding convertible debt securities or debentures;
- (v) within the two years immediately preceding the date of this document, no commissions, discounts, brokerages fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (b) Save as disclosed in the Accountants’ Report in Appendix I to this document, our Company has no material mortgage or charge.
- (c) The register of members of our Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a Hong Kong 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 transfers and other documents in title of Shares must be lodged for registration with and registered by, our Company’s Hong Kong Share Registrar and may not be lodged in the Cayman Islands.